



Shortchanged:

Why Women Have Less Wealth
and What Can Be Done About It

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Income vs. Wealth

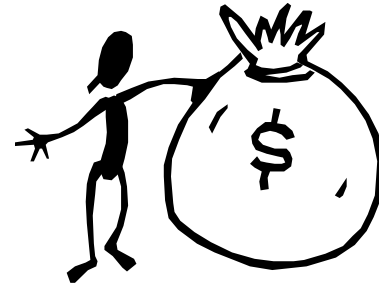
- Income = flow of money into a household over a period of time
 - Ex: salary, wages, retirement income
- Wealth = net worth; value of a household's assets minus debts at a single point in time



Wealth = Assets-Liabilities

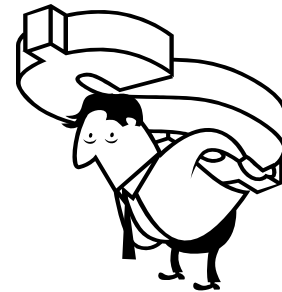
■ Assets:

- Savings, Checking Accounts
- Real Estate Owned
- Stocks, Bonds, Mutual Funds
- Business Assets
- 401k, IRAs
- Etc.



■ Liabilities:

- Mortgage
- Credit Card Debt
- Loans
- Etc.





Why Wealth?

- Wealth inequality >> income inequality
 - Top 1%: 21% income, 35% wealth
 - Bottom 60%: 21% income, **1%** wealth
- Wealth confers benefits income doesn't
 - Can generate further income
 - Collateral for loans
 - Passed from generation to generation
 - Weather financial crises



Why Care About the *Women's* Wealth Gap?

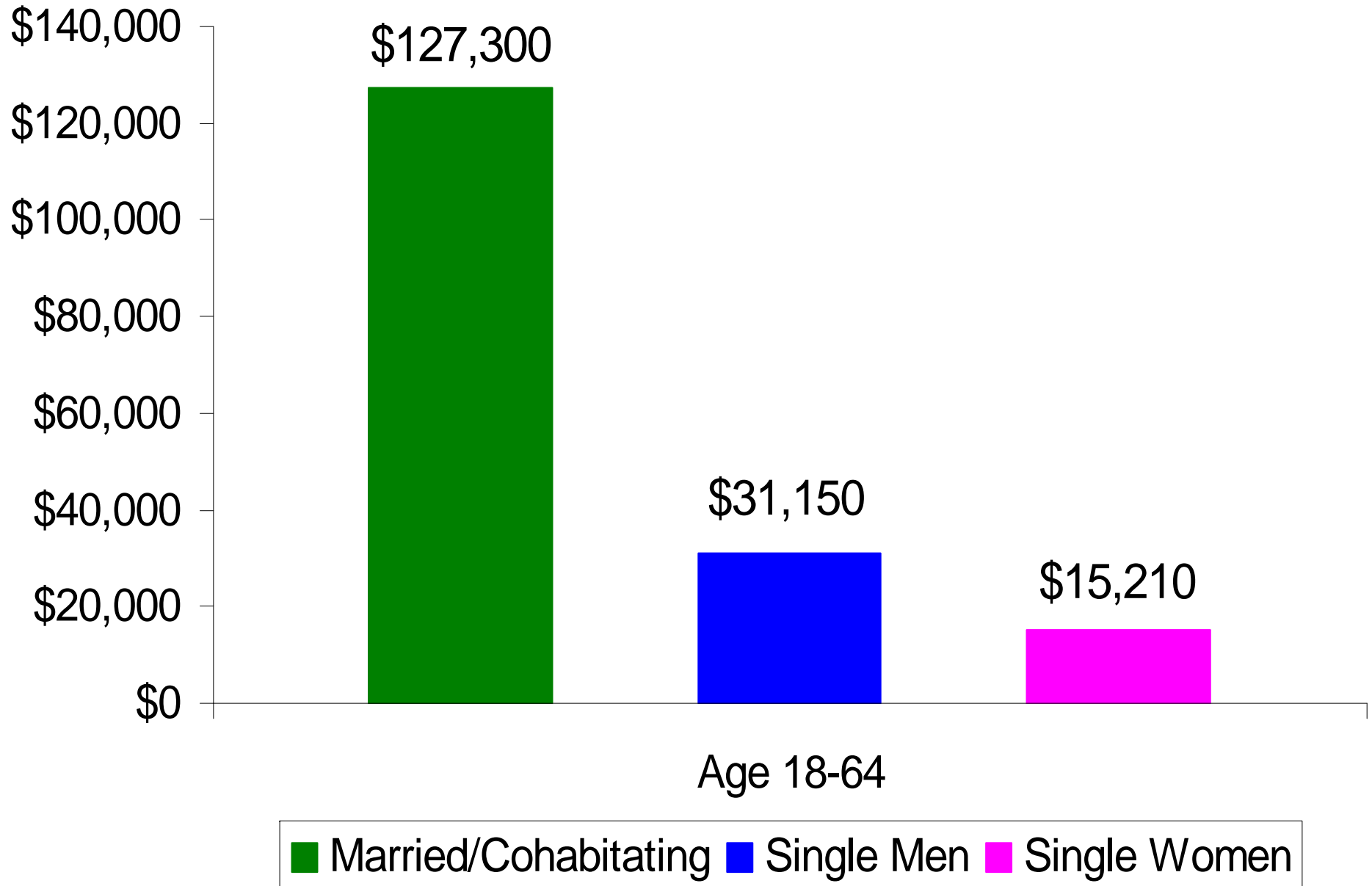
- About half of all households are non-married households
- About half of all marriages end in divorce
- Married women outlive husbands; widowhood is not a financial windfall for most
- Women spend more years single than married
- Women need more wealth because they live longer than men



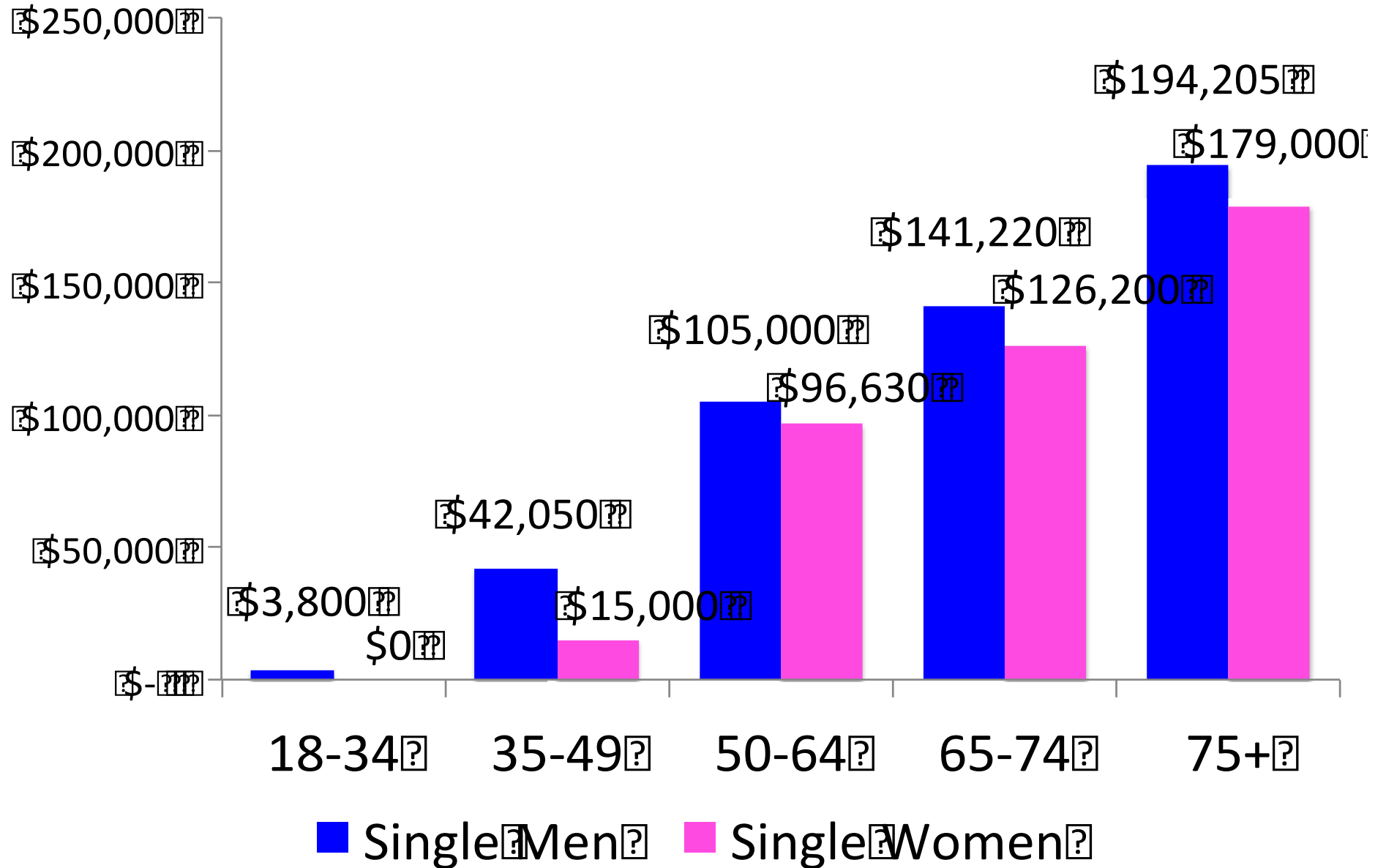
Data

- 2007 Survey of Consumer Finances
 - Sponsored by the Federal Reserve Board
 - Collected prior to economic crisis
 - Focus here on ages 18-64
- Interviews
 - 50 men and women

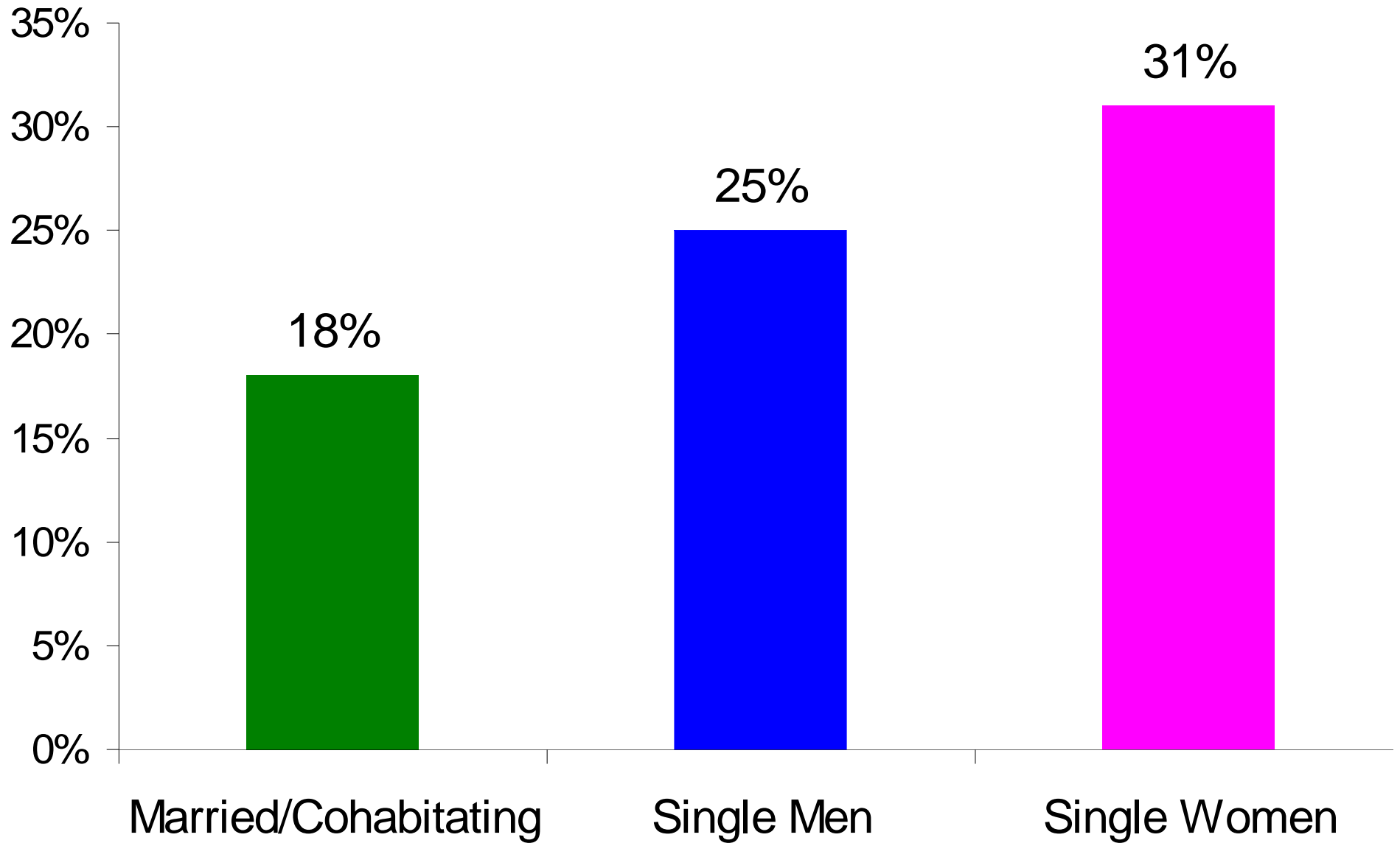
Median Wealth, 2007



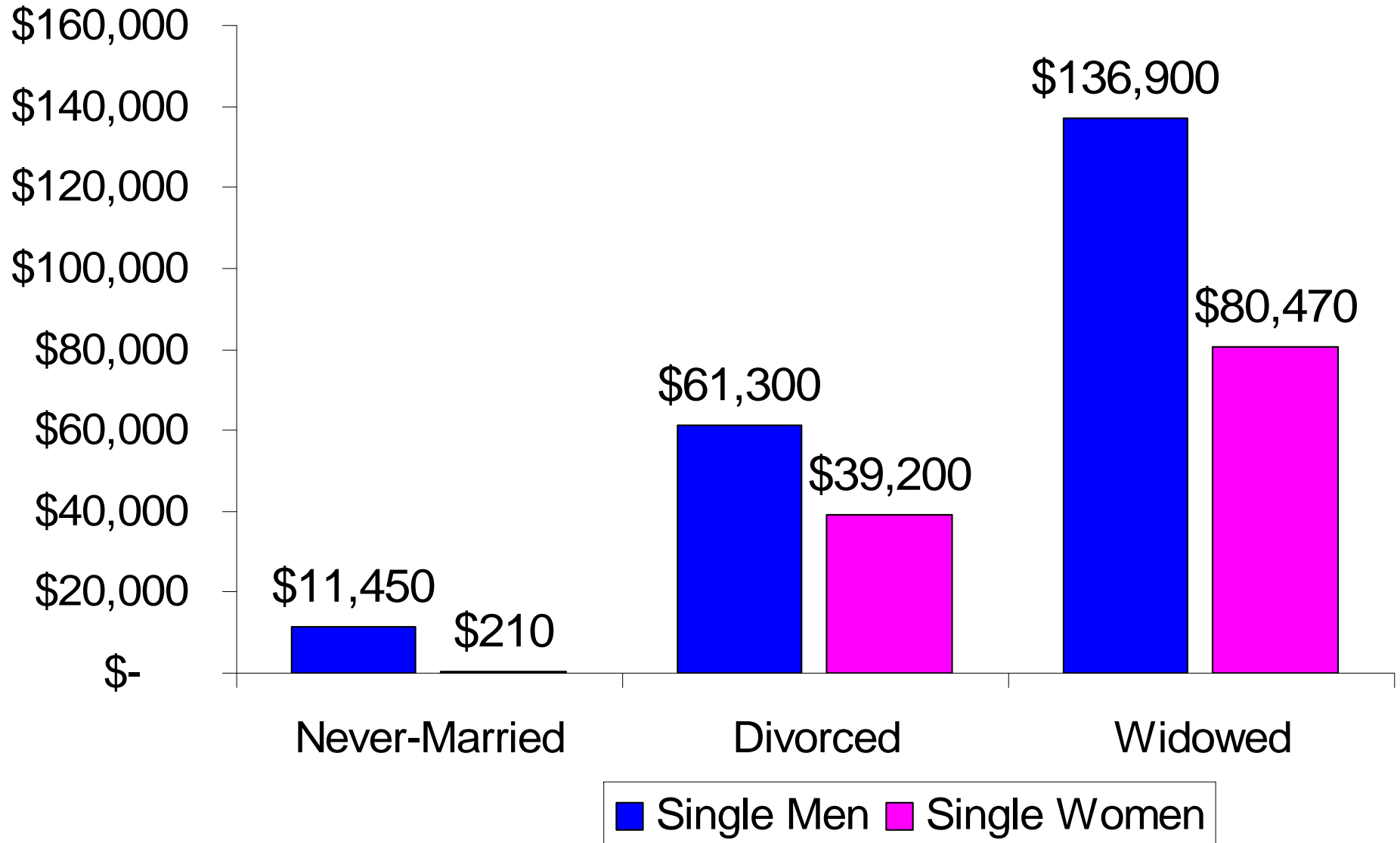
Median Wealth by Age Group, 2007



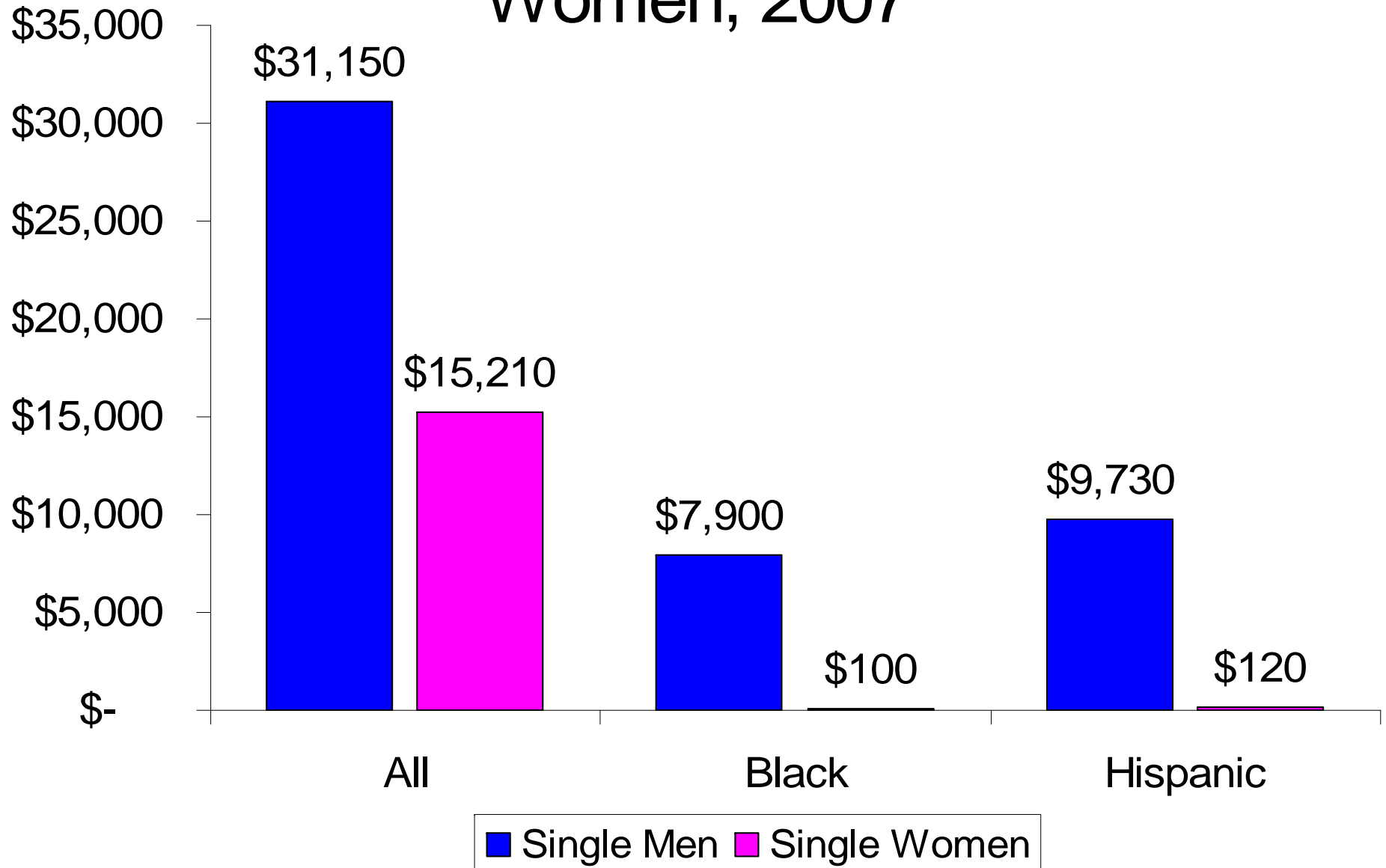
Percent with Zero or Negative Wealth, 2007



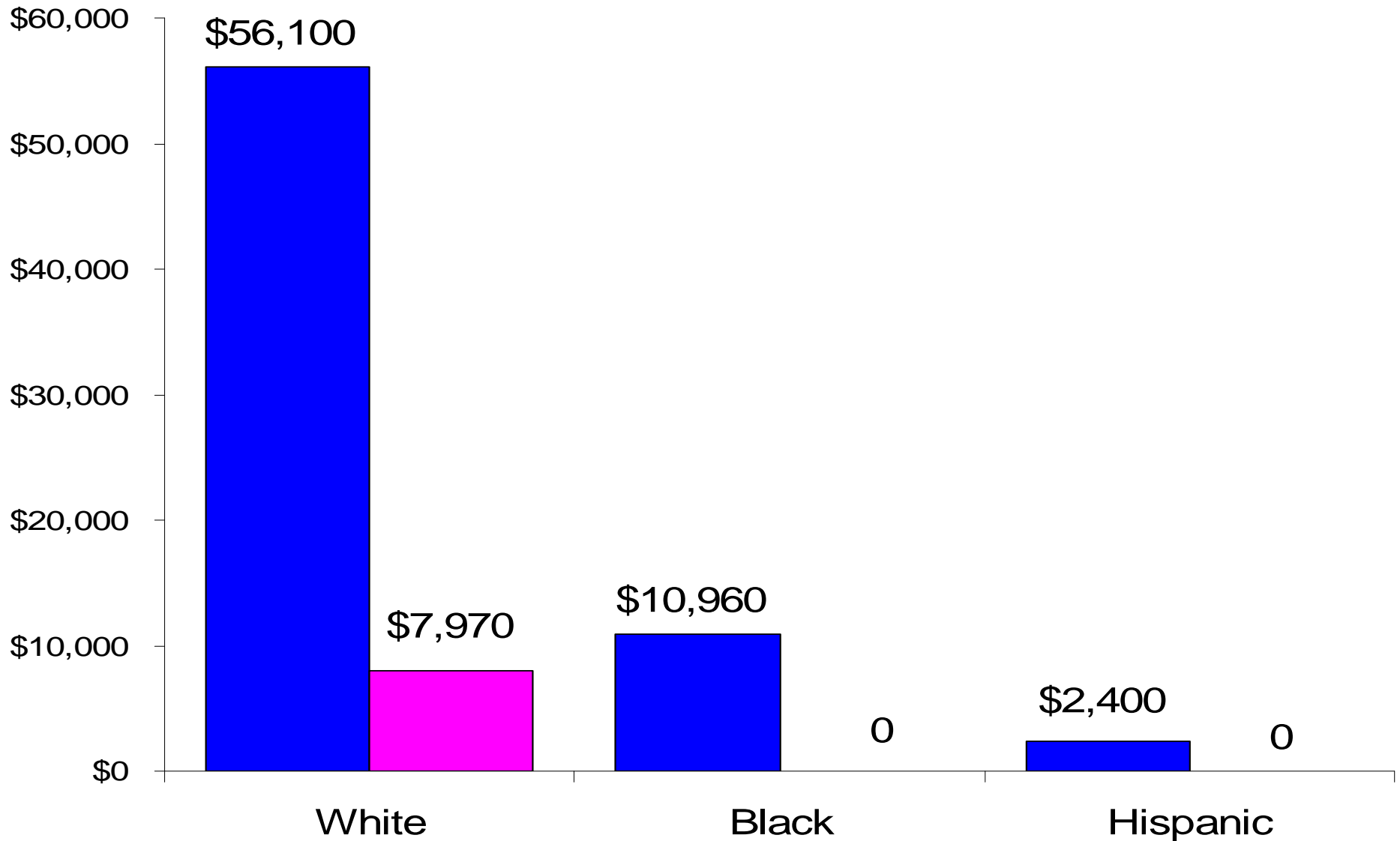
Median Wealth for Single Men and Women by Marital Status, 2007



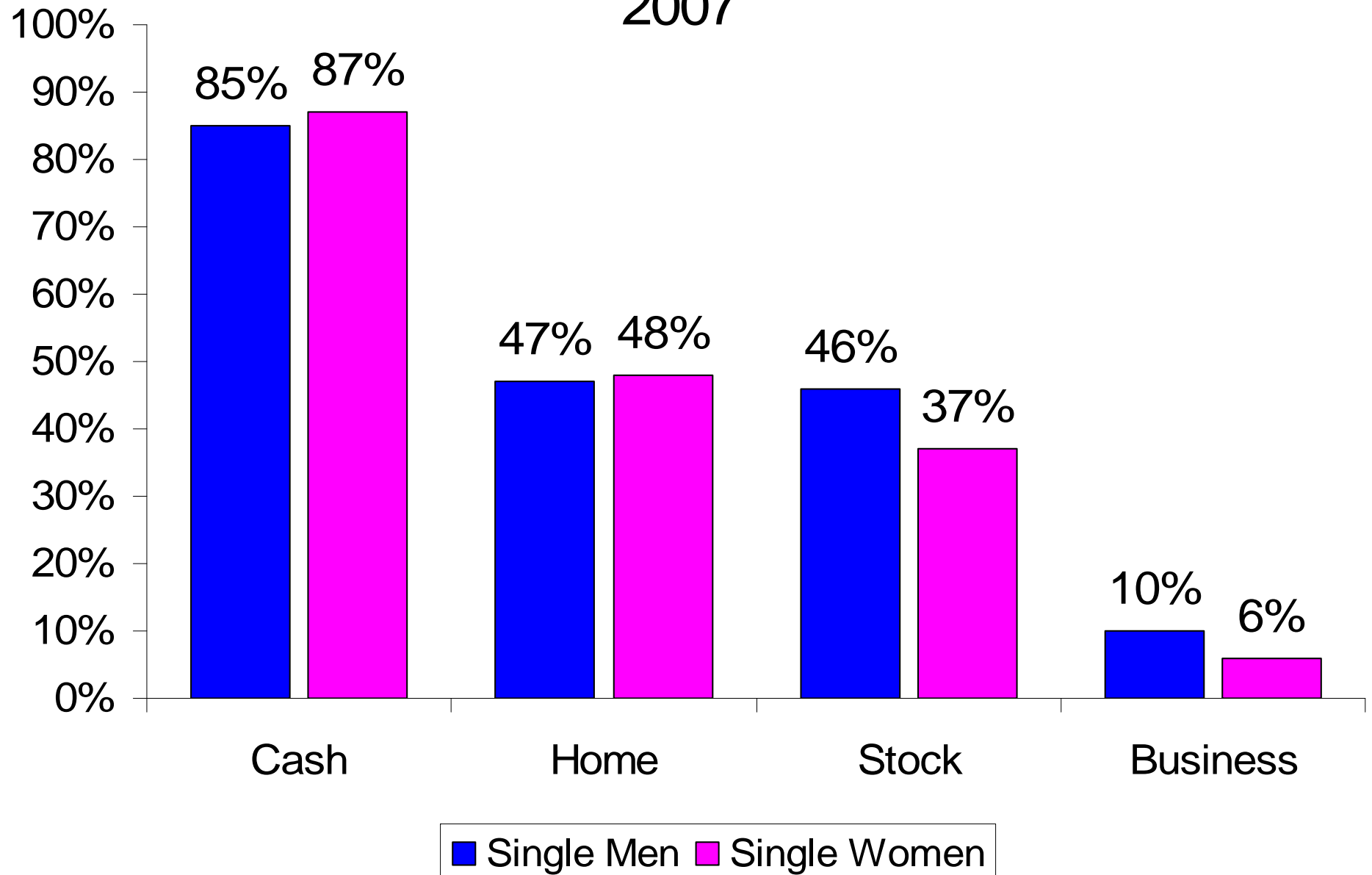
Median Wealth for Single Men and Women, 2007



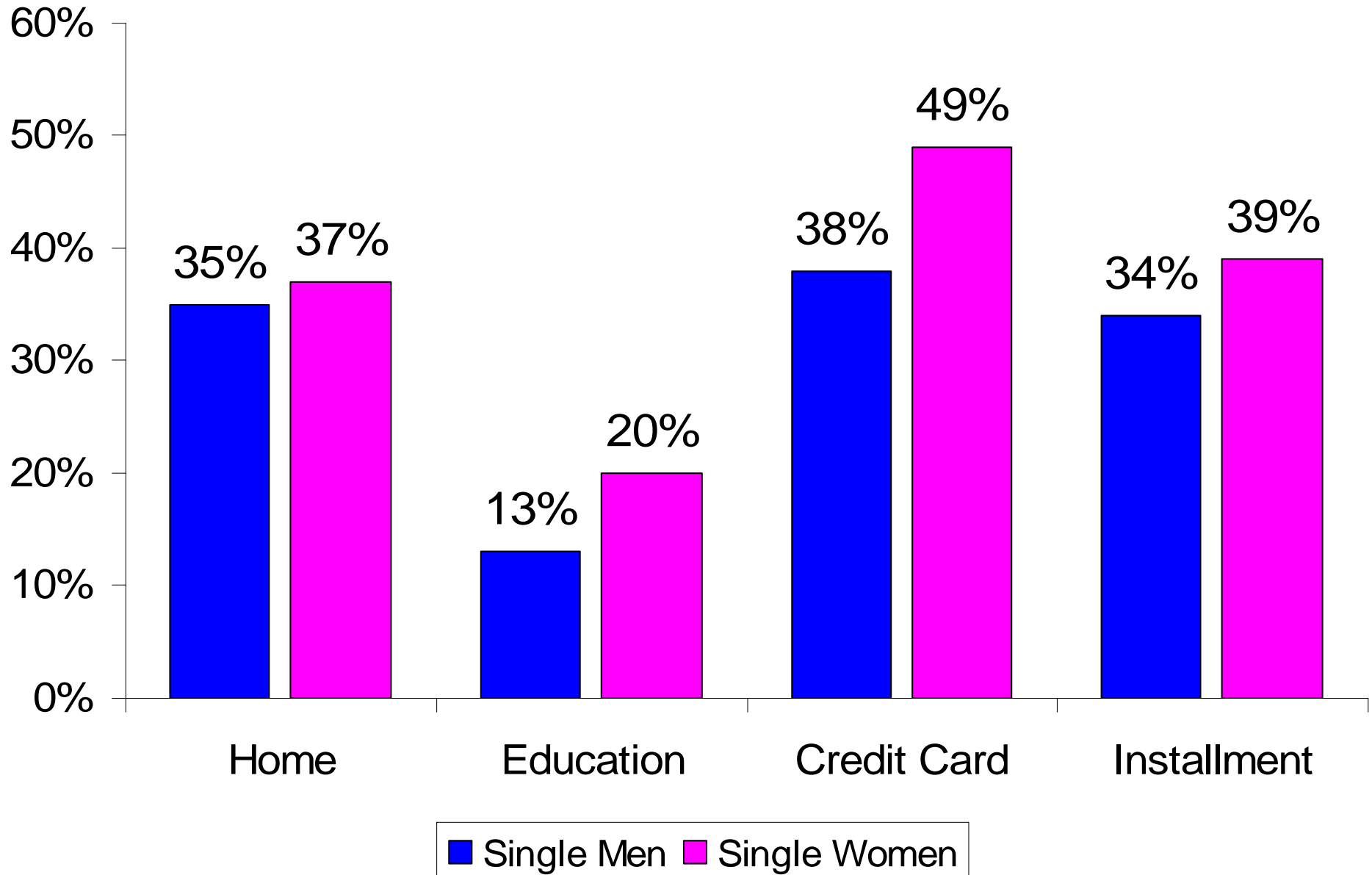
Median Wealth: Parents With Children Under Age 18



Assets Owned by Single Men and Women, 2007



Percent with Forms of Debt, 2007





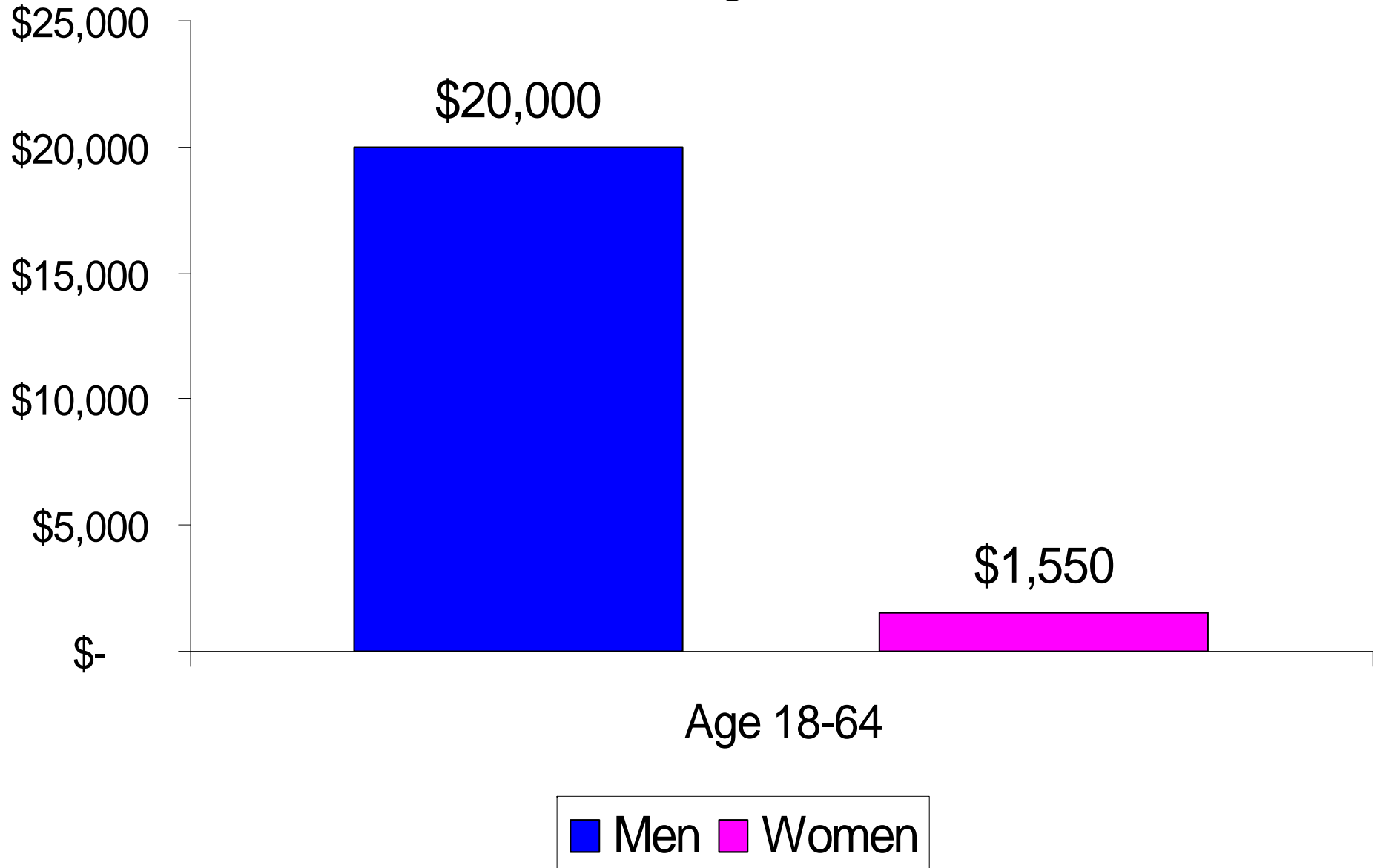
Why?

- Earnings gap?

Median Earnings for Full-Time Workers Age 18-64, 2007

	<i>Women</i>	<i>Men</i>	
Never-Married	\$31,246	\$31,238	100%
Divorced	\$38,046	\$43,621	87%
Widowed	\$36,016	\$49,051	73%
Married	\$37,986	\$52,706	72%

Median Wealth for Never-Married Persons Ages 18-64 Working Full-Time, 2007





Even with the same incomes...

Women would have less wealth:

- Women more likely to be custodial parents and support more people on one income
 - Less disposable income to save or invest
- Women less likely to have access to the “wealth escalator”



Wealth Escalator

- Translates Income into Wealth More Quickly
- Fringe Benefits
- Tax Code
- Structure of Government Benefits



Wealth Escalator: Fringe Benefits

- Directly build wealth
 - Ex: stock options, pension/401k contributions
- Indirectly build wealth
 - Ex: health insurance, paid sick days
- Women less likely to work in jobs with fringe benefits



Tax Code

- Lower tax rates on certain forms of income
 - Ex: long term capital gains
- Tax deferral
 - Ex: employer-sponsored retirement contributions
- Tax deductions
 - Ex: mortgage interest deductions, child tax credit



Structure of Government Benefits

- Public Assistance
 - Asset limits; “spend down assets”
- Social Insurance
 - Ex: Social Security, Unemployment Insurance



Economic Crisis

- At all income levels women more likely to receive subprime loans
 - Cost \$85,000-\$186,000 *more*
 - Foreclosure
- High unemployment for women who maintain families



Women Have Limited Access to the Wealth Escalator

- Types of jobs
 - Ex: non-union, service industry lack benefits
- Patterns of Labor Force Participation
 - Part-time, less continuous
- Custodial Parenthood
 - Critical to racial wealth gap as well
- Debt anchor
 - Ex: higher interest rates, subprime mortgages



Is Marriage the Answer?





Voluntary Specialization

- Couples decide who manages finances
- Preferences, abilities, or experiences that are gender-blind (in theory)
 - “I’m better at math”
 - “He/she is more interested in financial topics”
 - “He/she had more money than I did before we got married and was more used to handling it.”



Social and Cultural Factors:

“I don’t remember my parents sitting down and teaching my brother and not teaching me, but he just picked up on it....It just wasn’t something in my little internal toolbox. My gut feeling is that a lot of men really do have that internal tool box. I think they get it from society....I think on some level he must have felt—and my husband feels this way too—that he needs to be responsible for money because he’s a man.”



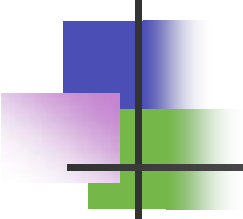
Disadvantages:

- Worst-case scenario: one partner can hide assets or mask a bad financial situation
- Latent disadvantage more likely to affect women: being left in the dark when the marriage ends
 - Most women will outlive their husbands



Voluntary Separation

- “Separate checks, please”
- Each contributes to joint expenses and keeps what’s left over for him/herself
- Minimizes conflict



The Extreme: “What’s mine is mine and what’s yours is yours.”

“I did get into a jam with credit cards. Not to the point that I couldn’t use them any longer, but my payments on a monthly basis were so much for so many different credit cards that it was ridiculous....To make a long story short, I got a consolidation loan and because I was part-time I had to get someone to co-sign and my husband did co-sign and he was fine with that.”



Voluntary Separation

Advantages

- Each has financial independence
- Recognizes women's economic contributions to joint expenses

Disadvantages

- Lower-earning partner has less discretionary income
- Spouses can be in the dark about other person's financial situation



Why Marriage is Not the Solution

- Wealth not necessarily owned or controlled by both spouses equally
- Leaves out gay and lesbian couples
- Economic self-sufficiency outside of marriage affects women's marital power
- Reinforces race-based wealth inequality
- Women spending more time unmarried



Main Points

- Wealth inequality is distinct from income inequality and much more severe
- A women's wealth gap would remain even if men and women had equal incomes:
 - Women more likely to be custodial parents
 - Women lack access to "wealth escalator"



The Good News

- Knowledge is power



Further Information:

- www.mariko-chang.com

Thank you!