

# CLOSING THE WOMEN'S WEALTH GAP

What It Is, Why It  
Matters, and What Can  
Be Done About It

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## About the Initiative

The *Closing the Women's Wealth Gap (CWWG)* initiative started in early 2016 as a series of national calls among advocates, organizers, researchers, funders, and practitioners about the causes and effects of the women's wealth gap. The initiative is being led by report author Heather McCulloch, under the guidance of advisors, Elena Chavez Quezada, Senior Program Officer with the Walter and Elise Haas Fund; Dr. Mariko Chang, researcher and author; Noreen Farrell, Executive Director of Equal Rights Advocates; Angela Glover Blackwell, CEO of PolicyLink; Surina Khan, CEO of the Women's Foundation of California; and Kilolo Kijakazi, Fellow at the Urban Institute. The initiative includes a planning group of more than 70 national leaders who are working together to understand the causes and effects of the gap, and to identify solutions that build wealth among low-income women and women of color.

## Acknowledgements

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*This paper has been updated since it was published in November 2016 to inform the first national meeting of the Closing the Women's Wealth Gap (CWWG) initiative. For more information about the initiative, contact Heather McCulloch, CWWG director, at [heather@assetbuildingstrategies.com](mailto:heather@assetbuildingstrategies.com).*

## Executive Summary

**B**uilding women’s economic security and closing the gender wealth gap should be a national imperative in the years ahead because the economic security of women is not just about women—it’s about the prosperity of children, families, communities, and the national economy. In the past forty years, women’s economic contribution to their households has increased exponentially. In 1976 one in twenty women was the sole breadwinners in their households; by 2013, it was one in four;<sup>1</sup> and today, women are breadwinners or co-breadwinners in nearly two-thirds of families with children.<sup>2</sup>

Women’s ability to earn, save, and invest plays a critical role in the well-being of their children;<sup>3</sup> the strength of their communities, and the economic prosperity of our nation. Yet, today, private sector practices, public systems, and policy barriers are limiting the capacity of women—and especially women of color—to reach their full economic potential.

A national movement has mobilized to break down barriers and advance economic opportunities for women through advocacy for pay equity, affordable childcare, and work supports like paid sick and family leave. These efforts are critical to addressing income inequality for women, but they are not enough to build their long-term economic security because the definition of the problem is too narrow.<sup>4</sup> Income inequality and a lack of work supports are key drivers of gender inequality, but other factors are at play. Today, the women’s wealth gap is far greater than the income gap. While women earn about 79 cents on the dollar compared to men, they *own* only 32 cents; and women of color own only pennies on the dollar compared to white men and white women.<sup>5</sup>

The economic security of women is not just about women—it’s about the prosperity of children, families, communities, and the national economy.

Wealth is different than income. Wealth is a store of resources to be used for emergencies. It includes savings for college or a secure retirement; resources to be leveraged into investments, like a home or a business; and it can be passed on to the next generation.

Addressing the gender income gap is part of the solution to building women’s economic security, but it is not enough. Instead, a more comprehensive framework is needed that identifies income and wealth inequality in both the description of the problem and search for solutions.

*Closing the Women’s Wealth Gap—What It Is, Why It Matters, and What Can Be Done About It* aims to inform a national discussion about the women’s wealth gap, and to catalyze movement towards policy and practical solutions that build wealth for low-income women and women of color. The report begins with an overview of what wealth is and why it matters; it summarizes some key data on the causes and effects of the wealth gap; and it points to promising policy and practical solutions, proposed or underway at the national, state, and local levels. The data and findings included in this paper are not the result of new research; instead, the paper highlights ideas and insights of a committed cadre of researchers and advocates to draw attention to the issue and lift up solutions.

Here is a selection of the findings:

## What Are the Causes and Effects of the Women's Wealth Gap?

- Wage disparities, employment segregation, and caregiving burdens are key drivers of gender income and wealth inequality.
- Women have lower levels of financial knowledge than men.
- Women are more likely to be denied a mortgage and to pay more despite a better repayment history.
- Women-owned businesses are growing in number, but most produce minimal wealth for their owners.
- Lower-income women and women of color are unlikely to benefit from savings and investment incentives offered through the U.S. tax code.
- The “three-legged retirement stool” is broken for women, especially lower-income women and women of color.
- Millions of lower-income women, women of color, and their families are trapped in a cycle of debt that is undermining their capacity to build wealth.

## What Can We Do About It?

- Advocate for pay equity and supportive family care policies and practices.
- Expand access to financial education and coaching at key points in women's lives.
- Help support women to build their credit scores.
- Increase opportunities and reduce barriers for women to save.
- Expand opportunities for women to buy homes and build home equity.
- Expand women's capacity to build wealth through business equity.
- Increase women's access to and adequacy of retirement savings.
- Make wealth-building tax subsidies more accessible to women.
- Regulate wealth-stripping products and practices.
- Target solutions to maximize benefits for low-income women and women of color.

# CLOSING THE WOMEN'S WEALTH GAP

## What It Is, Why It Matters, and What Can Be Done About It

### Introduction

In recent years, a national discussion about the causes and effects of inequality has played out in our communities, the media, the presidential race, and the Halls of Congress. The issue is often framed in terms of growing income and wealth gaps, but the conversation about solutions typically focuses on addressing the income gap—connecting people to job opportunities, raising wages, expanding access to job training, and other approaches. The same dynamic is at play in relation to women's economic security. Significant national discussions are underway about closing the income gap, but closing the women's wealth gap is rarely part of the discussion.

Addressing the causes of the gender income gap is key to increasing the financial stability of women and their families. But building their long-term economic security will require a broader range of strategies because, today, the women's wealth gap is far greater than the income gap. While single women earn about 79 cents on the dollar compared to men, they *own* only 32 cents.<sup>6</sup> The wealth gap for women of color is a chasm—pennies on the dollar compared to both white women and men.<sup>7</sup>

### Why Wealth Matters

Wealth is different than income—it is a measure of a household's net worth. One way to look at it is the difference between a budget, showing income and expenses, and a balance sheet, tracking assets and liabilities. Like a balance sheet, wealth is the measure of a household's assets—cash savings, stocks, bonds, and home, business and real estate equity—minus their liabilities, such as mortgage and credit card debt. Wealth—or financial assets—is a store of resources that women and their families can tap into during emergencies. It provides a nest egg they can leverage into investments, like a home or a business; and it can be passed on to future generations.

Women—as singles, mothers, wives, and widows—need access to a full continuum of opportunities to save, invest, and preserve financial assets so that they can build a better

MEDIAN WEALTH	
All single men	10,150
All single women	\$3,210
▪ Single White men	\$28,900
▪ Single White women	\$15,640
▪ Single Black women	\$200
▪ Single Hispanic women	\$100
▪ Single Black mothers	\$0
▪ Single Hispanic mothers	\$50

Source: *Women and Wealth—Insights for Grantmakers*. Asset Funders Network, 2015.

future for themselves and their families. They need access to financial education and coaching, coupled with affordable and appropriate savings and credit-building products, at key times in their lives. They need opportunities to save—for emergencies, higher education, and a secure retirement—and to leverage savings into wealth-building opportunities (see Appendix, page 26).

Marriage was once seen as a pathway to economic security and wealth accumulation for women; but today, single women (never-married, widowed, or divorced) make up half of all households.<sup>8</sup> So policies focused only or primarily on the financial security of married women are no longer enough. Furthermore, women, especially women of color, are more likely to be the sole, primary, or co-breadwinners in their households; so their financial assets are having an increasingly significant influence on the financial security of their families and communities.<sup>9</sup>

## Barriers and Solutions

Women face a host of barriers to building wealth. They are more likely to be carrying high levels of student debt, which restricts their ability to build a nest egg for emergencies or to invest in homes or businesses; and to be caring for children, grandchildren, or elderly relatives, which limits their capacity to save.<sup>10</sup> They are less likely to be eligible for employer-based retirement savings accounts or public tax subsidies that incentivize savings and investment.

Women of color are doubly affected by the intersections of the racial and gender wealth gaps. They are less likely to have access to affordable financial products and services, business capital, and resources to save for retirement than white men and white women. They are more likely to be carrying student debt, and to be targeted by predatory lenders. Black women face additional challenges due to the fact that they are more likely than white women to be sole income earners and single parents.<sup>11</sup> Immigrant Latina and Asian women often face unique wealth-building barriers due to their citizenship status. They are more likely to be segregated in low-paying jobs with no benefits; and some pay into public systems, like Social Security and state and federal tax systems, but are ineligible for benefits provided by these systems. Data about the wealth holdings of Native American women is limited, but we do know that Native Americans own less than one tenth of the median wealth of all Americans.<sup>12</sup>

Women of color are doubly affected by the intersections of the racial and gender wealth gap.

Making matters worse, racial and gender discrimination embedded in public policy and private practices of prior generations continues to affect the wealth holdings of women of color today. A long history of de jure and de facto discrimination—from slavery and Jim Crow laws to publicly sanctioned “redlining” and the exclusion of farm and domestic workers from Social Security—has limited or depleted the wealth of households of color.<sup>13</sup> Generational wealth transfers, through gifts and inheritances, has reinforced racial and gender wealth gaps over time. Since men of color were historically excluded from asset-building ownership opportunities, women of color inherited less than white women.<sup>14</sup>

Lesbian, bisexual, and transgender women face unique barriers, due to discrimination based on sexual orientation, which affects their capacity to build wealth over their lifetimes. They face discrimination in jobs, housing, health care, and the workforce. And even though the legalization of same-sex marriage has helped same-sex couples to access the benefits of marriage, the legacy of past discrimination still affects the wealth holdings of older couples and widows who cannot access spousal benefits retroactively.<sup>15</sup>

## Closing the Women's Wealth Gap

Fortunately, these wealth-building barriers can be addressed through practical and policy solutions, many of which are already in place in different parts of the country, or in other countries. Yet, until recently, there was no national forum for stakeholders to come together, to discuss and debate the causes and effects of the women's wealth gap, and to identify promising policy and practical solutions.

The *Closing the Women's Wealth Gap (CWWG)* initiative began in early 2016 as a series of national calls—among advocates, organizers, researchers, funders and practitioners—about the causes and effects of the women's wealth gap. The initiative includes a planning group of more than 70 national leaders who are working together to identify solutions that close the gap by building wealth among low-income women and women of color. The purpose of this paper is to inform these and other national discussions. It is meant as a resource for those who are already at the table, and a guide for others to join a growing movement for change.

## What We Know: The Causes and Effects of the Women’s Wealth Gap

Understanding the causes and effects of the women’s wealth gap is challenging, due to the dearth of wealth-related data broken down by gender. This section highlights a selection of key findings.

### ▪ **Low Wages and Caregiving Burdens Are Key Parts of the Story**

A discussion about the women’s wealth gap must begin with a discussion of wage disparities and caregiving responsibilities as they play key roles in women’s capacity to build wealth over their lifetimes. Today, the income gap hovers around 79 cents on the dollar for all women; but it is only 65 cents for Native Hawaiian and Pacific Islander women, 64 cents for African American women, 59 cents for American Indian and Alaskan native women, and 54 cents for Latina women, compared to white, non-Hispanic men.<sup>16</sup> The gap is 90 cents for all Asian American women, but larger for subsets of the Asian American population.<sup>17</sup> Causes of the wage gap include the fact that women make up the majority of the low-wage and minimum-wage workforce; they tend to work in lower-paying sectors and are underrepresented in growing middle-skill jobs; they are twice as likely to be working part-time as men—typically because of caregiving responsibilities—and they face ongoing gender discrimination in the workforce.<sup>18</sup>

Low wages mean women have less capacity to save and invest in wealth-building assets, and they are more likely to turn to higher-cost debt products to meet daily expenses or unexpected emergencies. Women who work in minimum wage, lower-wage, or part-time jobs typically do not have access to employer-provided retirement savings plans or benefits like healthcare, paid sick and family leave. As a result, they lose income and must spend down savings when they are forced to step out of the workforce or reduce their hours to care for children, grandchildren, or sick or elderly relatives. Furthermore, they have limited access to wealth-building public benefits like tax subsidies that encourage investments in homes and higher education.<sup>19</sup>

All of these work-related challenges are compounded for women of color who face a larger wage gap, greater job segregation, higher rates of unemployment, and primary caregiving responsibility.<sup>20</sup> In addition, some are the primary source of financial support for incarcerated loved ones and their families.<sup>21</sup> Lesbian, bisexual, transgender, and queer women face discrimination finding work and on the job.<sup>22</sup> They are more likely than any other group to live in poverty.<sup>23</sup> LGBTQ women of color, older LGBTQ women, and LGBTQ women raising children are the most economically vulnerable.<sup>24</sup>

### ▪ **Women Have Less Financial Knowledge and Are More Risk Averse Than Men**

Given ever-increasing complexity of financial markets, products, and services—and the fact that consumers bear more of the risks associated with loans and investments—financial knowledge is key to the long-term financial security of households. Recent studies indicate low overall levels of financial knowledge in the U.S.; but they also find that women have less

financial knowledge than men, controlling for demographic and economic characteristics.<sup>25</sup> More alarming is that the fact that women under 35 age fare even worse than older women.<sup>26</sup> One example of where a lack of financial knowledge has had a measurable impact on the wealth holdings of women occurred during the lead up to the mortgage crisis of the mid-2000s. In a 2006 report by the Consumer Federation of America about subprime lenders targeting women, and especially women of color, the authors argued that a lack of financial knowledge resulted in higher levels of subprime loans taken out by women.<sup>27</sup>

Other research finds that women are less likely to take financial risks.<sup>28</sup> Research shows that greater levels of risk aversion may be detrimental to the growth and development of women-owned businesses;<sup>29</sup> but it may play a positive role in relation to retirement savings, where women tend to have more balanced portfolios and higher returns than men.<sup>30</sup>

Strategies to help women build financial knowledge and access targeted financial advice at key points in their lives are described in the next section.

### ■ Building Credit Scores Is One Key to Building Wealth

Credit scores play a key role in people’s capacity to build wealth. They determine whether and at what cost individuals can access loans to invest in wealth-building assets like a home, business, or higher education. Furthermore, today, credit scores play a significant role in determining whether people have access to jobs, homes, and even services, as employers, landlords, utility companies and other service providers are using them to assess a person’s risk worthiness.

Research on women’s credit scores shows mixed results. A recent analysis by the consumer reporting company, Experian, found that women on average have higher credit scores than men (675 for women vs. 670 for men);<sup>31</sup> but research on 7 million customers by the credit-reporting and monitoring company Credit Sesame showed that women, on average, had *lower* credit scores than men, despite the fact that they actually owed less in credit card debt.<sup>32</sup> One explanation Credit Sesame analysts offer for women’s lower credit scores is the fact that men have higher incomes, on average, thus lower debt-to-income ratios, which plays a role in credit scoring.<sup>33</sup> Another explanation is that women have higher levels of “credit utilization”—they use more of the credit available to them—which, in turn, lowers their credit score.<sup>34</sup> Thus the credit scoring process may create a vicious cycle for women—a lower credit score means a lower credit limit; and a lower credit limit produces a higher utilization ratio for a given level of debt, thereby contributing to a lower credit score.

The wealth-building impact of having a low or no credit score is substantial: \$200,000 in lost wealth over a lifetime.

People of color tend to have lower credit scores than white men and women. In 2013, almost 66% of white borrowers had a FICO score of 720 or more, compared to only 41% of Latinos and 33% of African Americans.<sup>35</sup> In addition, people of color are more likely to have no or limited credit history, which reduces their ability to access mainstream financial products and

makes it more likely that they will turn to high-cost financial service providers in times of need. The wealth-building impact of having a low or no credit score is substantial: \$200,000 in lost wealth over a lifetime.<sup>36</sup>

Industry representatives argue that the credit scoring system is designed to be gender neutral.<sup>37</sup> But the data cited above points to the need for more research to better understand how the credit scoring process contributes to the gender and racial wealth gaps, and how it can be changed to produce more equitable outcomes.

- **Homeownership Has Been a Pathway to Building—and Losing—Wealth for Women**

Prior to the Fair Housing Act of 1968 and the Equal Opportunity Act of 1974, women had limited access to mortgage credit. Single women were denied home loans altogether; married women could not get loans in their own names; and the credit history of divorced or widowed women, whose prior credit was in their husbands' names, was not taken into account when they tried to get loans in their own names.<sup>38</sup> Federal reforms ended most de jure gender and racial discrimination in the mortgage lending market, but de facto discrimination continued in the form of subprime lending targeted to women and people of color in the lead-up to the foreclosure crisis.



Research shows that women, on average, are still paying more for their mortgages than men *despite* a better repayment history.

By 2001, home equity had become the primary source of wealth for low- and moderate-income African American and Latino households, and women made up a significant share of mortgage borrowers.<sup>39</sup> However, despite higher average credit scores, by 2005, women were much more likely than men to receive subprime loans.<sup>40</sup> African American and Latina women faced the highest rates of subprime lending: African American women were 2.5 times more likely to receive a subprime mortgage than white men, Latina women were 1.5 times more likely.<sup>41</sup> Asian Pacific Islanders were also targeted by subprime lenders and were more likely than white households to lose their home to foreclosure.<sup>42</sup> The crash of the mortgage market and ensuing recession wiped out billions of dollars of accumulated wealth for households of color, exacerbating the racial wealth gap and the women's wealth gap and undermining faith in the wealth-building value of homeownership.

Post-crash reforms of mortgage lending markets have prohibited most egregious forms of subprime lending; but research shows that women, on average, are still paying more for their mortgages than men *despite* a better repayment history.<sup>43</sup> According to a recent report by the Housing Finance Policy Center of the Urban Institute, controlling for credit characteristics,

women are less likely to default on their mortgage loans—yet they pay more.<sup>44</sup> The research also shows that women are denied loans more often than men, despite their superior repayment history.<sup>45</sup> The author notes that a third of female-only borrowers are women of color, and half are living in lower-income communities.

Similarly, recent research by the Woodstock Institute focused on the Chicago area points to disparities in women’s access to mortgage loans, both for purchases and refinancing across racial and ethnic groups.<sup>46</sup> The research finds that female applicants, overall, were 8% less likely to have purchase loans originated and 21% less likely to have refinance loans originated than men. To control for demographic factors related to single parent applicants, the research looked at a subset of co-applications and found that female-headed joint applicants were 24% less likely to have purchase loans originated and 34% less likely to have refinance loans originated than male-headed applicants.<sup>47</sup>

Together, these reports point to the need for investigation into possible gender discrimination in mortgage lending practices, and a better system of risk assessment to accurately reflect women’s repayment performance as opposed to credit characteristics.

- **Women Are Building Businesses but Few Are Building Business Equity**

Business equity is the second largest source of wealth, after home equity, for American households; and the median net worth of business owners is twice that of people who do not own businesses.<sup>48</sup> Described below, support for women’s start-ups and microenterprises, strategies to grow women-owned businesses, and cooperative ownership strategies are all important approaches to building wealth through business ownership for low-wealth women and entrepreneurs of color.

### From Microenterprises to Growing Women-Owned Businesses

The philanthropic, public, and private sectors have long supported the microenterprise, or microbusiness, industry—organizations providing loans, training, and other business development services to low-wealth entrepreneurs—as a way to build the economic security of low-income business owners.<sup>49</sup> Microenterprise programs are important providers of business services for women entrepreneurs because they typically target low-income women and people of color. In addition, many programs provide wealth-building services to business owners, such as financial education and coaching, credit counseling, and free tax preparation.<sup>50</sup> The microenterprise field is continuing to grow in terms of the loans provided, businesses served, and operating income of microenterprise programs. However, microenterprise programs still only reach a small subset of women entrepreneurs;<sup>51</sup> and training-based programs have seen a decline in revenue in recent years.<sup>52</sup>

While the number of women-owned firms has grown in recent decades—there are now more than 9.4 million women-owned firms in the U.S., with almost 3 million owned by women of color<sup>53</sup>—women-owned businesses remain relatively small, which limits their potential to build wealth for owners. While women-owned firms make up 30% of U.S. businesses, only 12% of those firms includes employees other than the entrepreneur herself, and only 2% have revenue over \$1 million.<sup>54</sup> Business equity can be a particularly powerful wealth-building

force for women of color: the median net worth of black women entrepreneurs is ten times greater than for nonbusiness owners.<sup>55</sup> While the number of businesses owned by women-of-color has increased in recent years (by 67% since 2007), their growth has been limited.<sup>56</sup>

Numerous factors affect the growth—and hence wealth-building potential—of women-owned businesses. Women entrepreneurs are more likely to rely on personal resources rather than external capital to grow their businesses. For example, men are over three times more likely than women to access equity financing through angel investors or venture capital firms, and men are more likely to tap networks of close friends and business acquaintances for capital.<sup>57</sup> Venture capital networks have been male dominated and tightly knit<sup>58</sup>—only 25% of angel investors were women and 5% people of color in 2015.<sup>59</sup> In addition, studies have shown that women entrepreneurs have higher levels of risk aversion and lower-levels of self-confidence than men, which may affect their business decisions and their willingness to apply for loans.<sup>60</sup> Fewer women entrepreneurs in key growth industries—such as information technology, manufacturing, construction, and transportation—as also been cited as a cause for more limited growth.<sup>61</sup>

### The Role of Cooperative Ownership in Building Wealth for Women

Another promising avenue of wealth building for women is worker-owned cooperatives. Worker-owned cooperatives provide opportunities for workers to gain an equity stake in a business where they work, along with secure wages, benefits, and often a voice in how the business is managed.<sup>62</sup> Worker cooperatives are limited in number in the U.S. but they have a long history in some communities and in other countries, and they have become more popular in recent years as people turn to alternative economic structures in the wake of the recession.<sup>63</sup> Cooperative ownership played a significant role in the economic history of African American communities, which has been well documented by scholar and author Dr. Jessica Gordon Nembhard;<sup>64</sup> but additional research is needed to understand the potential of worker-owned cooperatives in building equity among low-income women and women of color.

While business ownership is a potentially valuable source of wealth for low-income women and women of color, practical and structural barriers remain. Some promising solutions are discussed in the next section.

### ■ The Three-Legged Retirement Stool Is Broken for Women

Economists and policymakers use the concept of the “three-legged stool” to discuss retirement savings—with the legs including pension plans (defined benefit and defined contribution), Social Security, and personal savings. Women have lower level of savings in each of these categories despite the fact that they tend to live longer and, hence, need more savings than men. The income gap and caregiving burden are primary causes of the retirement savings gap. Women earn less and are able to save less than their male counterparts; they are more likely to take time out of the workforce to care for children, grandchildren, elders and other family members, thereby forfeiting income and Social Security benefits; and they often face higher expenses due to caregiving. But other structural factors are also at play.

Understanding women’s retirement *insecurity* demands an exploration of the twin challenges of access and adequacy—do women have *access* to retirement savings vehicles and are they able to save an *adequate* amount to ensure a secure retirement? Today the answer to both questions is “no.”

### Access and Adequacy in Pension Savings

Employer-provided retirement savings plans are the most common avenue for saving because they give workers access to an account structure to save, they sometimes offer an employer match, and they provide access to publicly-subsidized retirement tax benefits. Employer-provided, defined benefit (DB) plans—whereby employers assume the investment risk and employees get a guaranteed annual payment in their retirement years—are seen as the “gold standard” for retirement savings. But they have gradually been replaced by defined contribution (DC) plans—typically 401(k)s—in recent decades, forcing employees to assume the risks associated with market fluctuations and investment decisions.

Perhaps surprisingly, recent research by the National Institute on Retirement Security (NIRS), shows that women are *more likely* than men to work for employers who offer some sort of retirement savings plans; however, women are less likely to be eligible to participate in those plans than men.<sup>65</sup> According to the NIRS report, “In 2012, 63 percent of women worked in jobs where their employers offered either DB pensions or DC retirement account plans, but only 46 percent of women actually participated in some type of retirement plan.”<sup>66</sup> Latina and African American women are less likely than white women to work for employers who offer defined contribution retirement plans; and when they are eligible, more than a quarter are unable or chose not to do so. Asian American women have the highest participation rates among all groups.<sup>67</sup>



Understanding women’s retirement insecurity demands an exploration of the twin challenges of access and adequacy.

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A primary reason for lower eligibility rates for women is that they work part time—women are almost twice as likely as men to work part time<sup>68</sup>—and private-sector employers are only required to provide access to retirement plans for employees who work more than 1,000 hours a year.<sup>69</sup> Furthermore, smaller firms typically do not offer retirement plans to their employees, often due to the cost and administrative burden of setting up and managing them, so women working for these firms have no access. Today, half of workers at companies with fewer than 50 employees do not have access to retirement plans through their employers.<sup>70</sup>

Lack of participation in employer-provided retirement plans should not be mistaken for lack of demand. A Government Accounting Office (GAO) report showed that 68% of the lowest-income workers and 81% of part-time workers would participate in a plan if they had access.<sup>71</sup>

Even when women have access to a plan, many are unable to accumulate adequate savings to be financially secure in their retirement years. On average, women are able to save only two thirds of what men save in DB and DC plans. They are saving less and living longer, leaving them with lower levels of retirement income each year.<sup>72</sup> As a result, women are 80% more likely than men to live in poverty at the age of 65 and three times more likely once they hit 75.<sup>73</sup>

While data on the level of retirement savings owned by women of color is limited, the large gap among households of color and white households is well documented. According to research by the Economic Policy Institute, Black and Latino households have less than a third of the retirement savings of white households.<sup>74</sup> Lower savings levels are partially a function of lower incomes, higher levels of student debt (which limit savings), and more limited access to retirement savings plans;<sup>75</sup> but other factors, such as providing financial support to extended family members, may also play a role. Furthermore, the recession and ensuing recovery had a disparate impact on the retirement savings of households of color. While the median DC balances of white households did not change significantly between 2007 and 2013, the balances of Black and Latino households dropped dramatically (for example, the median retirement savings of Black families dropped by almost 50%, from \$31,100 in 2007 to \$16,400 in 2013).<sup>76</sup>

### Social Security

Social Security—another “leg” of the “three-legged stool”—is a critical source of wealth for women in their retirement years. For lower-income women, the importance of Social Security rests on its progressive features. It replaces a higher share of average lifetime earnings for lower-income than for higher-income workers; it provides a guaranteed annual benefit, so they do not have to worry about payments ending in their later years; and it is adjusted for inflation, unlike pensions and other savings.<sup>77</sup>

Social Security provides the majority of the income of women who are divorced, widowed, or over the age of 70 during their retirement years. For unmarried women, including widows 65 or older, it provides 90% or more of their income.<sup>78</sup> Like white women, Black women are likely to rely on Social Security during retirement,<sup>79</sup> whereas almost three quarters of Latina women (74%) and more than two thirds of Asian American women (69%) live in households that do not receive any Social Security benefits. This discrepancy is partially due to the fact that Latina and Asian American women are more likely to be immigrants, and may not be eligible to receive benefits, or they may be naturalized citizens without enough years of work in the U.S. to be eligible for Social Security.<sup>80</sup>

While women rely on Social Security more than men, their benefits levels are lower—over the age of 65, women receive \$14,000 a year in benefits on average compared to almost \$18,000 for men.<sup>81</sup> Lower lifetime earnings are a key driver of women’s lower Social Security benefits, but design features also play a role. For example, Social Security benefits calculations are based on the highest of 35 years of inflation-adjusted earnings. This formula

negatively affects women who spend time out of the labor force to care for children, sick relatives, or elderly parents, as even one year of zero earnings—or several years of part-time earnings—can significantly reduce a woman’s benefit calculation.<sup>82</sup>

### Private Savings

Personal savings—such as savings in traditional and Roth Individual Development Accounts (IRAs)—are the third leg of the retirement stool, but only one in ten Americans save in either type of IRA.<sup>83</sup> For most low-income workers, the process of setting up an IRA or Roth IRA is daunting, the associated fees are discouraging, and they have limited resources to save.<sup>84</sup> Furthermore, they are not incentivized by tax deductions associated with IRA savings. As described later in this document, a tax deduction is only valuable if taxpayers itemize on their tax returns and the vast majority of households in the bottom two quintiles do not itemize.<sup>85</sup> The federal Saver’s Credit represents one attempt to expand lower-wage workers’ access to retirement savings, outside of employers; however, take up rates have been low due to the fact that it is structured as a credit so lower income households with no tax liability cannot access it.

- **The Tax Code Subsidizes Wealth Building, but Lower-income Women Are Unlikely to Benefit**

The tax code is fueling inequality by subsidizing wealthier families to save and invest. Lower-income households cannot access the vast majority of federal, tax-code based, saving and investment subsidies, primarily due to the way they are structured. According to research by CFED, more than \$500 billion in annual tax “expenditures”—deductions, deferrals, exclusions, credits, and other benefits—subsidize taxpayers to build wealth through savings (e.g. retirement and college savings accounts) and investments (e.g. homes). Of these wealth-building public subsidies, the bottom 60% of households accrues only 12% of the benefits; and the wealthiest 1% of households receives more than the bottom 80% combined.<sup>86</sup>

Limited data is available to understand who benefits from tax-code based subsidies by gender, but it is important to understand that low-income women and women of color are unlikely to benefit from most of them due to the way they are structured.<sup>87</sup> Low-income taxpayers who do not itemize on their tax returns cannot benefit from deductions like the home mortgage interest tax deduction; nor are they likely to benefit from exclusions and preferential rates.<sup>88</sup> Women working part-time or in low-wage jobs without employer-provided retirement plans are unlikely to benefit from tax exclusions associated with retirement savings.<sup>89</sup> Furthermore, women, and especially women of color, are less likely to benefit from preferential tax rates on dividends and capital gains (profits on stocks and bonds that are held for more than a year are taxed at a lower rate than ordinary income) because they are less likely to own stocks.<sup>90</sup> Women of color are less likely to own stocks than white women or men—only 23% of Black women and 14% of Latinas own stock.<sup>91</sup>

Tax benefits are most likely to accrue to lower-income women if they are refundable or partially refundable tax credits, like the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). Unlike a deduction, a credit can be claimed whether or not a taxpayer itemizes their deductions (less than one in 20 households in the lowest-income quintile, and one in six

in the next quintile, itemizes on their tax returns);<sup>92</sup> and a refundable credit, provided in the form of a refund check from the government, can be claimed by households with no tax liability (predominantly women).<sup>93</sup> Partially due to its refundable structure, more than 90% of the benefits of the federal EITC accrue to the bottom 40% of households.<sup>94</sup>

The American Opportunity Tax Credit (for higher education expenses) is partially refundable so low-income women receive some benefit. The Child and Dependent Tax Credit (childcare) and the Saver’s Credit (retirement savings) are both important savings tools for women, but they are of less value to very low-income women because neither is refundable.

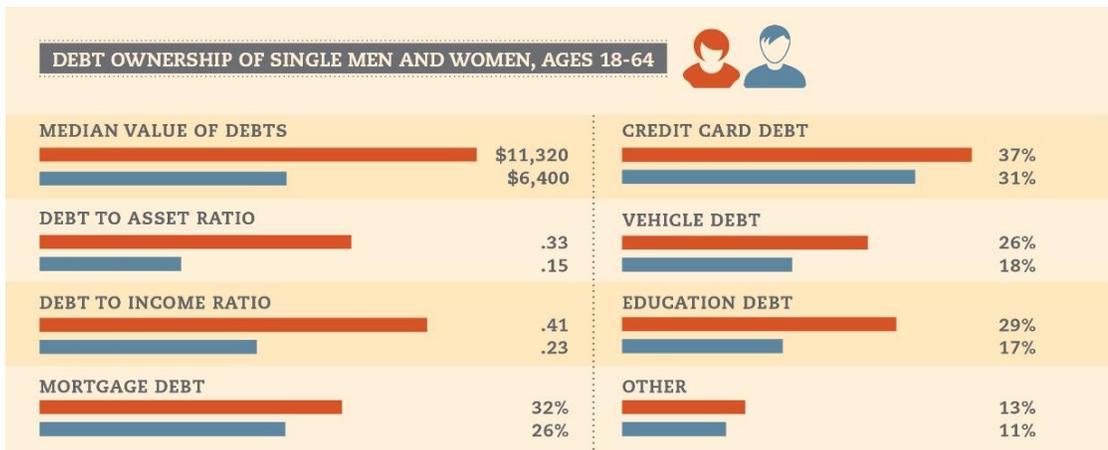
▪ **Debt – The Bad and the Ugly**

In addition to looking at strategies that build wealth, it is important to examine the ways that predatory lending practices are *stripping* wealth from low-income women and women of color.

**The Debt Trap of High-Cost Loans**

According to Dr. Mariko Chang, “women are being weighed down by a debt anchor.” Her research—taking credit card, educational, vehicle, and other types of debt into account—shows that at the median, women’s debt load is 177% higher than that of men.<sup>95</sup> “Pinklining,” by author Suparna Bhaskaran, highlights findings from interviews with 771 women from Los Angeles, Minneapolis and Newark. The interviews highlight the downward financial spiral faced by women who find themselves caught in a debt trap of high interest rates and late payment fees on fringe financial products.<sup>96</sup> The report finds that women make up almost 60% of payday loan customers,<sup>97</sup> although more recent research shows that women and men may be using payday loans at about the same rate.<sup>98</sup>

Regardless of whether women use payday loans more, the sheer numbers of low- and moderate income users turning to payday loans to cover short-term credit needs—including basic expenses—has risen dramatically in recent years. According to Pew Charitable Trusts, households are forfeiting \$9 billion in payday loan fees and \$3 billion in auto title fees each year.<sup>99</sup> These fees represent lost wealth that could be partially recaptured if women and their families had access to more affordable small-dollar loan products.



Source: *Women and Wealth, Insights for Grantmakers*. Asset Funders Network, 2015.

### Higher Education Debt

Higher education has long been seen as a critical pathway to building wealth as it tends to increase graduates' earning capacity, thereby making it more likely they will have access to opportunities to save and invest.



Today college debt consumes a higher portion of women's—particularly Black women's—earnings compared to men.

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Until the passage of Title IX of the Education Amendments in 1972, institutions of higher education could legally limit women's access to higher education by imposing higher entry requirements or by limiting their entry into certain academic or vocational fields; but today, women earn a majority of the nation's associate, bachelor's, master's, doctorates, and professional degrees.<sup>100</sup> Despite these gains, today college debt consumes a higher portion of women's—particularly Black women's—earnings compared to men;<sup>101</sup> and women, particularly women of color, make up a disproportionate share of the student body at for-profit colleges, where they are accumulating higher levels of debt and are less likely to graduate.<sup>102</sup> Research shows that it takes women, and especially women of color, longer to pay off their student debt.<sup>103</sup>

With large portions of their monthly earnings devoted to paying off student debt, graduates are left with fewer resources to save or invest in equity-building assets like homes, businesses, stocks, or bonds.

### Fines and Fees Are Stripping Wealth For Low-Income and Women of Color

In the wake of the Ferguson crisis, new research and activism is drawing attention to the detrimental economic impact of incarceration, bail, fines, and fees on low-income communities of color. Less discussed is the fact that women, especially women of color, often bear the financial burden when a loved one is incarcerated.<sup>104</sup>

According to the nonprofit, the Essie Justice Group, one in four women, and one in two Black women, have a family member in prison.<sup>105</sup> A participatory research project led by the Ella Baker Center for Human Rights, Forward Together, and Research Action Design, working with 20 community-based organizations in 14 states, found that the financial costs of incarceration extend far beyond the individual being punished, as it drains the financial resources—and increases the debt—of entire families.<sup>106</sup> The report found that 85% of the family members bearing the primary financial burden of the costs of incarceration were women. Furthermore, a forthcoming PolicyLink report notes the financial toll of common

practices like the imposition of fines and fees on parents or guardians of children in the juvenile justice system. For example, it highlights one incident where a mother in Michigan went to jail for not paying her child’s juvenile court fees.<sup>107</sup>

A national conversation about closing the women’s wealth gap should include a focus on reducing or eliminating fines and fees that are stripping the wealth of women and their families.

## What Can We Do About It—Promising Strategies and Policy Solutions

Closing the women’s wealth gap is a long-term endeavor, but work is already underway that is helping to build the financial security of women and their families through targeted wealth-building approaches. Progress comes in the form of innovative products, programs, and services that are helping low-income women and women of color to build their financial knowledge, access affordable products and services, save and invest in homes and businesses, access retirement plans, dig themselves out from burdensome debt loads, and protect their financial assets. Other efforts are focusing on changing public policy to address structural barriers and increase opportunities for lower-income women and women of color to build wealth. This section highlights a subset of promising practical and policy solutions—underway at the local, state and national levels—that are beginning to address the women’s wealth gap.

### Promising Solutions

#### ▪ Advocate for Pay Equity and Supportive Family Care Policies and Practices

Campaigns to expand women’s access to equal pay are critical to building women’s long-term economic security and increasing their capacity to build wealth. National and state-level coalitions and campaigns—such as Equal Pay Today,<sup>108</sup> National Committee on Pay Equity,<sup>109</sup> and Stronger California<sup>110</sup>—are leading these fights and are having an impact. For example, President Obama has signed executive orders to ensure fair pay for employees of federal contractors; and California recently passed one of the most strict pay equity acts in the country, requiring companies to give fair pay to women and men who are doing “substantially similar” work.<sup>111</sup> These policy campaigns can and should be fully supported by advocates for closing the women’s wealth gap as they are strengthening the capacity of women to earn, save, and build financial assets.

Equally important are efforts to expand the infrastructure of support for the care of children, elders, and other family members so women are not forced to take time out of the workforce—losing income, spending down savings, and lowering Social Security benefits—to do so. National and state-level advocates have been pushing for policies to expand affordable childcare and paid sick and family leave, with many successes. In addition, a new concept is being proposed by the National Domestic Workers Alliance and Caring Across Generations: “universal family care” is a public family care insurance fund that families could

draw upon to cover the costs of child care and elder care.<sup>112</sup> These and other policy and practical strategies that relieve the financial burden of family care for women are key elements of the continuum of strategies to close the women’s wealth gap.

- **Provide Financial Education and Coaching at Key Points in Women’s Lives**

Given the complexity of today’s financial markets—and the history of predatory lending products targeted to women—financial education and coaching<sup>113</sup> at critical points in women’s lives, coupled with appropriate financial products and services, are key to addressing the women’s wealth gap.<sup>114</sup> One approach is to integrate financial coaching into existing financial service programs. For example the *Doorways for Women and Families* program, supported by the Washington Area Women’s Foundation, supports financial coaching as part of a suite of services offered to women struggling with domestic violence and/or homelessness. It provides basic financial skills, helping women to address errors in their credit scores, negotiate and pay down debt, along with other supports that put them on a pathway to financial security at the most vulnerable time in their lives.<sup>115</sup> Similarly, many “two generation” efforts—underway at the local, state and national levels—are integrating a range of supports for children and their parents, including financial education and coaching;<sup>116</sup> and, in recent years, many federally-funded Promise Neighborhoods initiatives have offered financial coaching in addition to a range of services they provide to low-income community residents.<sup>117</sup>

On the policy front, recent efforts to expand women’s access to retirement savings include public resources for targeted financial education. For example, the Women’s Pension Protection Act (WPPA), federal legislation introduced by Senator Patty Murphy in September 2015, proposed federal grants for community-based organizations to provide financial education and coaching for working women.<sup>118</sup> These and other philanthropic and public-sector initiatives to support targeted financial education, coaching, and counseling for women are key strategies to closing the women’s wealth gap.

- **Support Women to Build Their Credit Scores**

As described earlier, credit scores play a key role in determining women’s access to—and the cost of—credit to purchase homes, invest in businesses, or pay for higher education. Today, innovative programs are working at the local level and being replicated nationally to build the credit scores of low-income individuals, especially women. For example, the Mission Asset Fund (MAF) offers opportunities for low-income, primarily Latino residents of the Mission neighborhood of San Francisco to access loans and build their credit history through its Lending Circle program.<sup>119</sup> Lending Circles convene a group of participants, 60% of whom are women, who each contribute a set monthly amount to a shared pool of resources. Each month, one participant has an opportunity to use the pool’s resources.<sup>120</sup> Payments are reported to credit bureaus, thereby establishing a credit history for some and improving it for others. An evaluation of the MAF program showed that average credits scores rose by 168%.<sup>121</sup> MAF now offers the program through nonprofit partners nationwide.<sup>122</sup>

Pilot projects that are reporting rental payments to credit agencies are another innovative approach to building credit histories and credit scores for lower-income women. For example,

the Credit Builders Alliance (CBA), a national network of nonprofits working to advance innovative approaches to building credit for lower-income households, has been working with Experian, one of the big three credit reporting agencies, to allow reporting of rental payments on consumers' credit reports.<sup>123</sup>

Strategies that help low-income women to establish and increase their credit scores—thereby increasing their access to and lowering the cost of credit—are critical to closing the women's wealth gap.

- **Increase Opportunities and Reduce Barriers for Women to Save**

Women need opportunities to save—for emergencies and investments in higher education, a home, or a business—in order to build their long-term financial security, invest in their children, and build their wealth. First developed in the 1990s, Individual Development Accounts (IDAs) are one strategy that has helped boost the savings of some lower-income women and women of color. IDA programs are structured in different ways—and match levels vary—but most allow participants to save for a home, business, or higher education. IDA savers are more likely to be women, African American, single, or never married, compared to the overall low-income population.<sup>124</sup> IDA programs have long been supported by federal resources—in 1996, the Personal Responsibility and Work Opportunity Act allowed federal funds to be used for IDAs and the 1998 Assets for Independence Act authorized the U.S. Department of Health and Human Services to provide grants to nonprofits for IDA programs.<sup>125</sup> While efforts to take IDAs to scale have been challenging, the approach shows that low-income families can and will save, if given appropriate opportunities and incentives.



Women need opportunities to save—for emergencies and investments in higher education, a home, or a business—in order to build their long-term financial security, invest in their children, and build their wealth.

More recently, some matched savings programs allow participants to save for financial emergencies—like a job loss, health emergency, or death in the family. For example, Start2Save, a program of the Opportunity Fund of San Jose offered through community-based organizations and social service agencies, allows participants to save up to \$500 towards an emergency savings fund, with savings matched two to one for a total of \$1,500.<sup>126</sup> Emergency savings enable low-income families to avoid the wealth-stripping fees charged by payday and other high-cost lenders when faced with an unexpected event, like a job loss, divorce, or illness of a family member.

Children’s savings accounts (CSAs) are another savings tool that is enabling low-income women to save—in this case for the higher education of their children. Research points to positive impacts of these accounts: improving mothers’ expectations for their children’s education and boosting disadvantaged children’s early social-emotional development.<sup>127</sup> CSA pilot programs are underway at the local level through innovative programs like the

A significant barrier to savings—especially for lower-income women—are “asset limits” in public benefit programs that force women to spend down even small amounts of savings before they are eligible for temporary public assistance.

Kindergarten to College program in San Francisco and Oakland Promise in Oakland, California, and at the state level through initiatives like the Harold Alfond College Challenge in Maine. The Oklahoma Native Assets Coalition is administering a CSA program in native communities, working with fifteen partners, including tribes and Native nonprofits in Oklahoma.<sup>128</sup> Federal policy to support CSAs has been proposed for years through proposals like the America Saving for Personal Investment, Retirement and Education (ASPIRE) Act<sup>129</sup> and the American Dream Accounts Act.<sup>130</sup>

Today’s public infrastructure to incentivize savings is mainly focused on retirement, missing families’ need for flexible resources to manage volatility in both income and expenses; but many national organizations are working to advance policies that expand opportunities for low-income households to build flexible savings.<sup>131</sup> A relevant federal policy proposal is the Financial Security Credit Act of 2015, proposed by Representative Jose Serrano (D/NY) which would enable low-income households to receive a credit at tax time, when they assign a portion of their federal tax refund into a designated savings account.<sup>132</sup> Women and their families could draw down on these savings, avoiding the need to turn to predatory products or deplete retirement savings.

A significant barrier to savings—especially for lower-income women—are “asset limits” in public benefit programs that force women to spend down even small amounts of savings before they are eligible for temporary public assistance. The federal government allows states to waive or reduce asset limits, or to exempt certain types of assets, in their administration of federal programs like Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and Supplemental Security Income (SSI). Under pressure from advocates, many states have raised or eliminated asset limits or exempted certain types of assets in many public benefit programs, and battles continue across the country.<sup>133</sup>

IDAs, CSAs, flexible savings accounts, and efforts to raise or eliminate asset limits in public benefits programs are all part of the continuum of strategies to close the women’s wealth gap by building assets for low-income women and women of color.

### ▪ Expand Opportunities for Women to Buy Homes and Build Home Equity

The Urban Institute report cited earlier describes how women are being charged more for home mortgage loans and denied mortgages more often, despite stronger repayment histories than men. Given the findings, the author calls for new, more accurate means of measuring risk in mortgage lending. The Woodstock Institute report, on the higher denial rates for mortgage loans among women in Chicago, points to the need for further investigation into possible gender discrimination in mortgage lending markets.

Another approach to help women build wealth through homeownership is a 2013 proposal by the Urban-Brookings Tax Policy Center to replace the federal mortgage interest deduction (MID) with a refundable, first-time homebuyer's credit.<sup>134</sup> Female-headed households and households of color are more likely to be low-income, so it is safe to assume most do not benefit from the MID because they do not itemize on their taxes.<sup>135</sup> They are more likely to benefit from a refundable first-time homebuyer's credit because they could access it whether or not they itemize or have a tax liability.<sup>136</sup> While reforming the MID is not currently in play at the national level, several member organizations of the Tax Alliance for Economic Mobility are proactively exploring alternatives in preparation for future national conversations about comprehensive tax reform.<sup>137</sup>



State-level efforts are particularly important for women, who are less likely to be eligible for retirement savings accounts through their employers.

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### ▪ Expand Women's Capacity to Build Wealth Through Business Equity

As described earlier, an important approach to closing the women's wealth gap, particularly for women of color, is to help them build equity in their own businesses. The infrastructure of support for microenterprises owned by women and people of color has been well developed in recent decades, with technical assistance from national organizations like Grameen and ACCION; national support initiatives like the FIELD program at the Aspen Institute; and networks, like the Association for Enterprise Opportunity (AEO). These organizations and networks are all playing a significant role in helping women to start and grow their own businesses.

The Office of Women's Business Ownership within the Small Business Administration (SBA) has long supported women-owned businesses to grow, including targeted technical assistance to economically disadvantaged businesses.<sup>138</sup> A new SBA rule builds on existing federal efforts to target small and disadvantaged women-owned businesses by allowing federal agencies to sole source contracts to women-owned businesses.<sup>139</sup> In addition, the SBA 8(a) program, and similar state-level programs support business owners of color to establish and grow their businesses through counseling, training, and technical assistance.<sup>140</sup>

Still, recent research points to the need to expand women's access to debt and equity financing in order to grow women-owned firms to the point where they actually build wealth for their owners.<sup>141</sup> Pipeline Angels and Astia Angels are examples of practical efforts to address capital access barriers for women and women of color. Now in cities across the country, Pipeline Angels includes a "bootcamp" to train women investors and a "pitch summit" where women and "non-binary femme entrepreneurs" have an opportunity to pitch ideas to women investors.<sup>142</sup> The bootcamp has trained more than 180 women since its launch in 2011, with graduates investing more than 1.7 million in 20 women-owned companies who have gone through the pitch summit process.<sup>143</sup> Astia Angels, an international network of women and male investors supporting the growth of women-owned firms, has invested 13 million in 40 women-owned firms since it was founded in 2013.<sup>144</sup>

These private, nonprofit and public-sector programs are key pieces of the infrastructure needed to close the women's wealth gap by helping women entrepreneurs to build business equity.

#### ▪ **Increase Women's Access to and Adequacy of Retirement Savings**

As described earlier, women are more likely to live longer and, hence, they need more savings for retirement; but on average women are saving less for their retirement years than men. Key challenges are access and adequacy. Recent federal and state-level initiatives are working to expand access to an infrastructure and incentives to help lower-income individuals to save. These efforts, described below, are far from sufficient to address the lack of savings among low-income women and women of color; but they represent key steps that can inform future efforts.

Researchers and advocates have long called for the creation of automatic IRAs (Auto-IRAs), retirement accounts that would be set up automatically by employers and available to all workers, as a way to address the current lack of access to savings by millions of low-income workers. Auto IRAs first emerged as a bipartisan proposal from the Brookings Institute and Heritage Foundation, inspired by research that showed that automatically enrolling workers in retirement plans boosts savings rates.<sup>145</sup> They have been proposed at the federal level for years, including in President Obama's fiscal year 2017 budget proposal, but they have faced partisan opposition in recent years.

In the absence of federal action, states have taken the lead in recent years in establishing state-level Auto-IRAs. For example, California and Illinois have passed legislation and are now implementing "Secure Choice" programs that require smaller employers to provide workers with access to retirement savings accounts; and other states are following suite.<sup>146</sup> These state-level efforts are particularly important to women, who are less likely to be eligible for retirement savings accounts through their employers. Other proposals to encourage small businesses to establish retirement savings plans for their employees include pooled 401(k) plans and small business tax credits to lower the costs and/or administrative burden of establishing and administering retirement plans.<sup>147</sup>

In an effort to expand access to individual savings, the U.S. Treasury recently began piloting myRA, a low-risk starter savings account. A type of portable, Roth IRA with no fees, myRAs allow workers to make small contributions; savings are invested in low-risk, U.S. Treasury securities; and contributions can be withdrawn tax-free without penalty at any time. They were rolled out in 2015 as a pilot program with employers volunteering to participate; and by late 2015 they were available to anyone, with income restrictions.<sup>148</sup>

Another important approach to expanding women's access to employer-provided benefits is to provide part-time workers with pro-rata benefits, as is currently done in European Union (EU) countries. Implemented in 2000, the EU Part-Time Work Directive requires member countries to give part-time workers the same pro-rata pay and benefits as full-time workers.<sup>149</sup> Relevant legislation in the U.S. would expand access to employer-provided retirement accounts for part-time workers by decreasing the hours they need to work to be eligible.<sup>150</sup>

In addition, efforts are underway at the national and state levels to explore different approaches to "portable benefits." For example, the Aspen Institute's Future of Work Initiative, is leading national discussions about building a system of portable benefits that are accessible to part-time and independent workers with the following three features: They are "portable," i.e. not tied to any job or employer; "pro-rated," i.e. employers contribute at a fixed rate, based on the amount of work completed; and "universal," i.e. they are available to all workers, not just full-time employees.<sup>151</sup> Work is underway in California to form a coalition of stakeholders that will build widespread community support and legislative momentum for a portable benefits policy; planning is underway to determine whether these efforts will focus at the state level or include local Bay Area cities/counties, as well.

Even if lower-income women have access to accounts, they are challenged by a lack of resources to save. One source of support for savings, typically used by wealthier families, is the U.S. tax code. Today, the federal tax code subsidizes retirement savings through tax benefits, but research shows that more than 70% of the benefits go to the top 20% of income earners.<sup>152</sup> The federal Saver's Credit was created in 2001 as a way to incentive low- and moderate-income taxpayers to save for retirement by providing a match (in the form of a tax credit) to taxpayer savings. But the Saver's Credit has been underutilized because it is non-refundable, so taxpayers with no tax liability cannot benefit from it. Many national organizations are fighting to make the Saver's Credit refundable; others are working to advance alternative proposals to make the credit more accessible to lower-income households.<sup>153</sup>

### Reform Social Security

Several proposed reforms to Social Security would increase benefits for women including providing credit for years that women spend out of the labor force caring for dependents, and adjusting spousal benefits to account for the growing numbers of women who were never married, or married too few years to access their spouse's benefits.<sup>154</sup> Other proposals include improving the surviving spousal benefit, adjusting the Consumer Price Index for the

Elderly, reducing the years of marriage required to receive spousal benefits, and enhancing the minimum benefit.<sup>155</sup>

State auto-IRAs, myRAs, a refundable Saver's Credit, pro-rata or portable benefits, and Social Security reform are all part of a continuum of strategies to close the wealth gap by supporting women to save and invest in retirement assets.

- **Make Wealth-Building Tax Subsidies More Accessible to Women**

Expanding the number and size of federal and state refundable tax credits, and turning existing tax benefits into refundable credits, are the most effective approaches to equitable tax reform that is most likely to benefit low-income women and women of color.

In recent years, several national coalitions have focused on the role of the tax code in fueling wealth inequality.<sup>156</sup> More than 30 national organizations participating in the Tax Alliance for Economic Mobility have worked, together and separately, to raise public awareness about the inequitable nature of wealth-building tax subsidies and to advocate for policy reform. In 2015 a large national campaign, led by the Center on Budget and Policy Priorities and other national partners, succeeded at making permanent improvements to the EITC and CTC, resulting in significant long-term benefits for women and their families.<sup>157</sup> EITC advocates are currently focused on expanding it for “childless” workers—individuals who do not have children—and those who do not have custody of their children.<sup>158</sup> At the state level, coalitions are working to advance state EITCs and other tax reforms that build the economic security of low-income families.

By changing the way federal and state tax benefits are structured, tax reform advocacy efforts could produce significant wealth-building opportunities for low-income women and women of color. Organizations concerned with closing the women's wealth gap should be part of these conversations, especially given the level of public resources at stake.

- **Eliminate Products and Practices That Trap Women in a Cycle of Debt**

National, state, and local advocacy efforts are underway around the country to regulate abusive small-dollar loan products on lower-income borrowers. Recently, the Consumer Financial Protection Bureau (CFPB) stepped into the fray, issuing long-awaited rules to regulate payday, auto title, and other small dollar loan products.<sup>159</sup> But even if efforts to regulate payday lending are successful, the issue remains that low-income households need access to safe and affordable small dollar loan products and legal aid to address the far-reaching impact of unbearable debt loads.<sup>160</sup>

## Conclusion – Moving Forward

Across the nation, conversations are underway about the economic insecurity of American households, yet most are not focusing on the wealth gap as a driver. Closing the income gap is part of the solution to building families' economic security, but it is not enough to ensure their long-term prosperity and economic mobility.

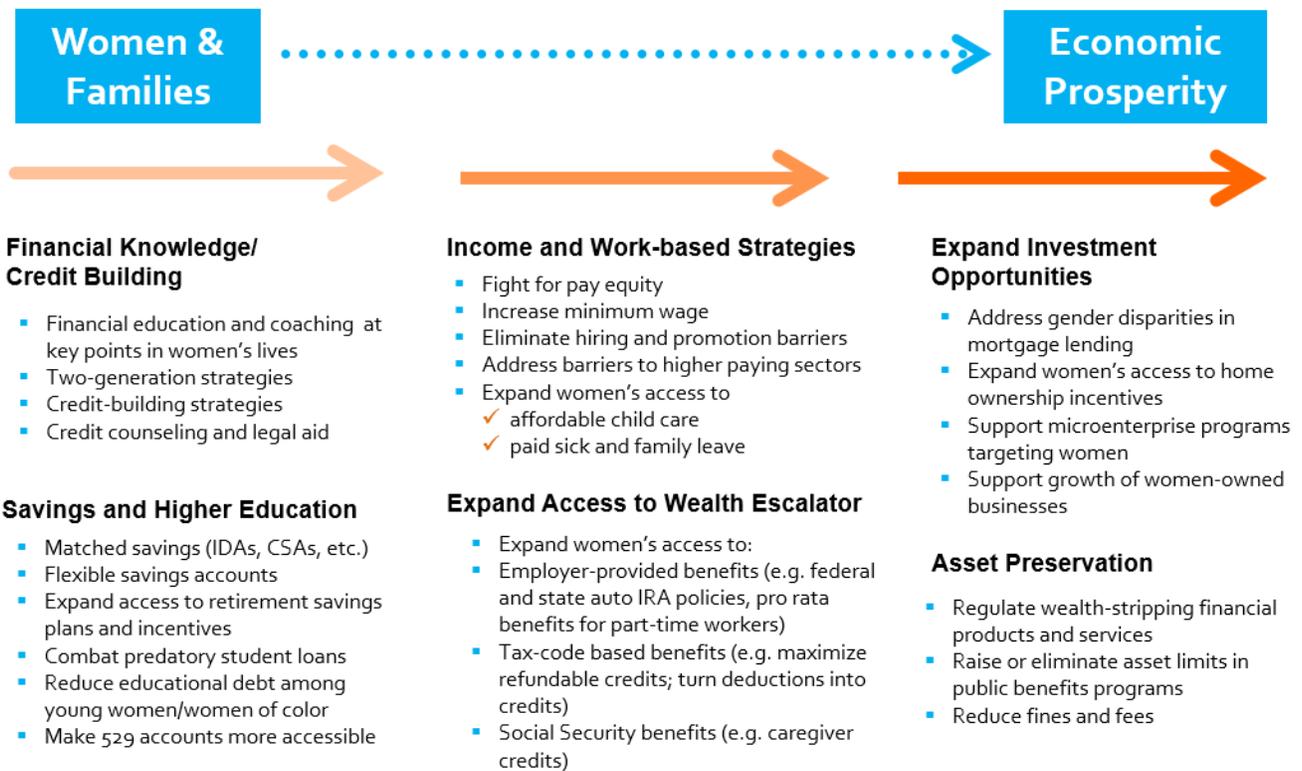
Today, women play a key role in household wellbeing as they are more likely than ever before to be the sole, primary, or co-breadwinners; yet they face barriers to turning income into wealth through savings and investments. As a result, the women's wealth gap is far greater than the income gap, with low-income and women of color the furthest behind.

The causes and effects of the women's wealth gap are multifaceted and require rigorous exploration, but they must be addressed if we are to build families' long-term economic security. Closing the women's wealth gap calls for a different set of solutions than income- and workforce-focused strategies. It demands a broad menu of policy and practical approaches that builds women's financial knowledge, expands their access to mortgages and business capital, allows them to save for a secure retirement, and enables them to invest—in themselves, their families, and their communities.

*The Closing the Women's Wealth Gap* initiative includes a growing network of advocates, researchers, practitioners, and funders who are committed to advancing promising policy and practical solutions to gender wealth disparities. In the years ahead, the network will be working in coalition with partners in the public, private, and nonprofit sectors to raise awareness of the women's wealth gap and build the public will to address it.

Without a doubt, closing the women's wealth gap is a long-term endeavor. But given the role of women in the economic security of families, communities and the prosperity of the nation, addressing the gap is in our collective interest.

# Closing the Women's Wealth Gap: Moving from Poverty to Prosperity



Adapted from *Building Assets While Building Communities*. Walter and Elise Haas Fund. <http://www.haassr.org/wp-content/uploads/2014/05/buildingReport2006.pdf>.

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- <sup>137</sup> For more information, see Tax Alliance for Economic Mobility at [www.taxallianceforeconomicmobility.org](http://www.taxallianceforeconomicmobility.org).
- <sup>138</sup> Office of Women Owned Businesses, Small Business Administration, <https://www.sba.gov/offices/headquarters/wbo>
- <sup>139</sup> *Advancing Equity for Women and Girls of Color*. The White House Council on Women and Girls, November 2015. [https://www.dol.gov/wb/resources/advancing\\_equity\\_women\\_girls\\_of\\_color.pdf](https://www.dol.gov/wb/resources/advancing_equity_women_girls_of_color.pdf)
- <sup>140</sup> For more information, go to <https://www.sba.gov/starting-business/how-start-business/business-types/minority-owned-businesses>. A full assessment of SBA programs is beyond the scope of this report.
- <sup>141</sup> Coleman and Robb. *Access to Capital by High-Growth Women-Owned*.
- <sup>142</sup> See Pipeline Angels website at <http://pipelineangels.com>
- <sup>143</sup> See "Pipeline Fellowship Rebrands to Pipeline Angels," <http://pipelineangels.tumblr.com/post/130829902386/pipeline-fellowship-rebrands-to-pipeline-angels>
- <sup>144</sup> For more information, see <http://astia.org/astia-angels/>
- <sup>145</sup> Brown, et al, *Shortchanged in Retirement: Continuing Challenges to Women's Financial Future*.
- <sup>146</sup> For an in-depth discussion see: *How States Are Working to Address the Retirement Savings Challenge, An analysis of state-sponsored initiatives to help private sector workers save*. Pew Charitable Trusts, June 2016. <http://www.pewtrusts.org/~media/assets/2016/06/howstatesareworkingtoaddresstheretirementsavingschallenge.pdf>
- <sup>147</sup> *Fact Sheet: Building a 21<sup>st</sup> Century Retirement System*. White House Office of the Press Secretary, January 26<sup>th</sup>, 2016. <https://www.whitehouse.gov/the-press-office/2016/01/26/fact-sheet-building-21st-century-retirement-system-o>
- <sup>148</sup> myRAs are only available to individuals making less than \$131,000 a year (\$198,000 for married couples filing jointly). For more information, see "All about the new myRA." *Chicago Tribune*, November 24, 2015. <http://www.chicagotribune.com/business/sns-201511242030--tms--savingsgctnzy-a20151124-20151124-story.html>
- <sup>149</sup> Chang, *Shortchanged*.
- <sup>150</sup> For example, see *Murray Introduces Legislation to Protect Women's Retirement Security*. Office of U.S. Senator Patty Murray, September 30 2015. (Accessed Oct. 13, 2016). <http://www.murray.senate.gov/public/index.cfm/2015/9/murray-introduces-legislation-to-protect-women-s-retirement-security>. The new standards would require employers to allow employees to participate in a plan once they have reached 1,000 hours of service during a 12-month period or 500 hours of service for three consecutive years, whichever occurs earlier.
- <sup>151</sup> Reder, Libby, Natalie Foster and Greg Nelson. *Portable Benefits Resource Guide*. The Aspen Institute Future of Work Initiative, July 13<sup>th</sup>, 2016. <https://www.aspeninstitute.org/publications/portable-benefits-resource-guide/>
- <sup>152</sup> Harris, C. Eugene Steuerle, Signe-Mary McKernan, Caleb Quakenbush, Caroline Ratcliffe, *Tax Subsidies for Asset Development: An Overview and Distributional Analysis*, The Urban Institute, March 7, 2014.

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<sup>153</sup> For example see, Camille Bussett and Jordan Eizenga. *A Small Change to the Saver's Credit Can Go a Long Way*. Center for American Progress, January 2012. [https://www.americanprogress.org/wp-content/uploads/issues/2012/01/pdf/small\\_change\\_savers\\_credit.pdf](https://www.americanprogress.org/wp-content/uploads/issues/2012/01/pdf/small_change_savers_credit.pdf). See also the Tax Alliance for Economic Mobility. [www.taxallianceforeconomicmobility.org](http://www.taxallianceforeconomicmobility.org)

<sup>154</sup> Hegewisch, Ariane, Jeff Hayes, Jessica Milli, Elyse Shaw and Heidi Hartmann. "Looking Back/Looking Ahead: Chartbook on Women's Progress." AARP, November 2015. <http://www.aarp.org/content/dam/aarp/ppi/2015/Chartbook-On-Women's-Progress.pdf>. Also see Alison Shelton. "Social Security: A Key Retirement Resource for Women." AARP Public Policy Institute, March, 2016. <http://www.aarp.org/content/dam/aarp/ppi/2016-03/social-security-key-retirement-source-for-women-AARP-PPI.PDF>

<sup>155</sup> Brown, et al. *Shortchanged in Retirement*.

<sup>156</sup> National coalitions focusing on the lack of benefits for lower-income/lower-wealth households include Americans for Tax Fairness ([www.AmericansforTaxFairness.org](http://www.AmericansforTaxFairness.org)) and the Tax Alliance for Economic Mobility ([www.TaxAllianceforEconomicMobility.org](http://www.TaxAllianceforEconomicMobility.org)).

<sup>157</sup> McCulloch, Heather. *Building Wealth Through Tax Reform: Opportunities for Grantmakers*. Asset Funders Network, 2016. [http://assetfunders.org/images/pages/Building\\_Wealth\\_Through\\_Tax\\_Reform\\_2016.pdf](http://assetfunders.org/images/pages/Building_Wealth_Through_Tax_Reform_2016.pdf)

<sup>158</sup> Marr, Chuck, Chye-Ching Huang, Cecile Murray and Arlock Sherman. *Strengthening the EITC for Childless Workers Would Promote Work and Reduce Poverty: Improvement Targeted at Lone Group Taxed into Poverty*. Center on Budget and Policy Priorities, April 11, 2016. <http://www.cbpp.org/research/federal-tax/strengthening-the-eitc-for-childless-workers-would-promote-work-and-reduce>

<sup>159</sup> *Notice of Proposed Rulemaking on Payday, Vehicle Title and Certain High-Cost Installment Loans, Consumer Financial Protection Bureau*. (Accessed on October, 12<sup>th</sup>, 2016). <http://www.consumerfinance.gov/policy-compliance/rulemaking/rules-under-development/notice-proposed-rulemaking-payday-vehicle-title-and-certain-high-cost-installment-loans/>

<sup>160</sup> One valuable source of information and resources is the Pew Charitable Trust/Small Dollar Loan Program. Developed in 2011 the program is support research and the development of alternatives; see <http://www.pewtrusts.org/en/projects/small-dollar-loans-research-project>.