**Investing While Female. How Do You Decide?**

Ilene Slatko

March 18, 2021

A group of apples

Description automatically generated with low confidence

As someone whose first job paid a whopping $.25 per hour,[**[1]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftn1) I can remember the battle between my wants and needs and my corresponding inability to cover them. Babysitting netted a paltry sum back then, but for myself and my friends, it represented a way to earn money while we were growing up. Babysitters were primarily females in 1968; while our male high school counterparts were shoveling snow in the winter or mowing lawns in the summer. Both of which paid more on an hourly basis.

In a previous article,[**[2]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftn2) I mentioned that we continue to see a gender pay gap for women: with a discount to men’s earnings between $.18 to $.28 per hour (based on ethnicity). Irrespective of the pay disparity that existed in our teen years, this lower pay scenario lasts over the course of a woman’s career.

I would like to discuss the ramifications for women and thoughts on how to gain retirement parity, despite the pay gap.

**First, let’s quantify the gender pay gap and parity.**

Over the course of a 40-year career, a woman will earn approximately $1 million less than a male counterpart. One million dollars not including returns from investing. In other words, the opportunity costs are not factored into this figure.

What would it take to reach parity?

Let’s presume a low rate of return on the one million. For our discussion, we’ll use three million at retirement as parity, which would equate to less than a 3% return over 40 years. Does this mean that a man will have three million dollars more than a woman when he retires? No, it means if he invested the gender pay difference *he could*. According to recent statistics, however, the average amount in a retirement account is far less than even one million. If we presume that retirement lasts 15 years for women and that the future inflation rate roughly mirrors inflation during the last 15 years (2006 to 2021), goods and services that cost $100 at the beginning of retirement will likely cost $131 at the end.[**[3]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftn3) So, even one million is likely not enough.

The implication of the inflationary pressure cannot be overstated. Unlike our working years, we generally stop having earned income as we age. At the very time when we are least able to work, the effects of inflation are eating away at our purchasing power.

Because we earn less on average, it is more difficult to find the money to save and invest. The financial and career struggles that women may face are real. Our choices around money, however, often contribute to our difficulties.

**Where mindset and limiting beliefs come into play.**

Our mindset and limiting beliefs around money may make it more difficult to make good choices. These beliefs don’t feel like choices, but the *effec*t of those beliefs are choices. An example might be growing up in a home where money was used as a reward. This may lead to feelings of temporary happiness when spending money and a mindset that says, “I deserve this”. This often leads to overspending and poor financial decision-making. And while small purchases that derail a monthly budget seem harmless, the collective results can be long lasting and devastating to long term goals.

If we can’t see all the pieces of the financial puzzle it is easier to inadvertently do damage in attaining our goals.

For example, according to LendingTree,[**[4]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftn4) the average new car payment in 2021 is a whopping $563 per month. That may sound reasonable until you stop to calculate how much money needs to be invested each month to have $3 million in retirement.

In order to achieve retirement parity, if you start at age 25 and invest in a portfolio that gives you average annual market returns (10%), your monthly contribution will need to be approximately $460 per month.

*Or three-quarters of a monthly average car payment. And if you are already contributing monthly to a retirement account, perhaps its only one-half of a car payment.*

So, then the question is “Which do you want more”?

By reframing the choice, the financial decision-making becomes clearer.

**Apples to apples.**

This exercise in converting future benefits to present costs is critical to being able to see how the financial puzzle pieces fit. Without it, there is no way to compare a $40,000 car[**[5]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftn5) to a comfortable retirement account. With it, it is much easier to change our behaviors and our mindset.

These skills of sharpening financial decision-making and reframing our behavior are especially critical for women, who earn less and live longer.[**[6]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftn6)

Choices aren’t easy. But when the goal is crystal clear, the path is knowable.

If you would like to clarify and sharpen your financial decision-making skills or have other questions about the benefits we provide to clients, please reach out to Ilene at ilene@dssfinancial.com or schedule a time to chat with her (calendar on website).

[**[1]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftnref1) https://sammyrabbit.com/2021/03/15/ilene-slatko-first-job-memory/

[**[2]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftnref2) https://www.linkedin.com/pulse/rationale-behind-talking-specifically-women-money-ilene-slatko/?trackingId=cbtymw45E8vA3sByaGcd4Q%3D%3D

[**[3]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftnref3) https://www.in2013dollars.com/us/inflation/2006?amount=1

[**[4]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftnref4) https://www.lendingtree.com/auto/debt-statistics/

[**[5]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftnref5) https://www.cnet.com/roadshow/news/average-new-car-price-2020/

[**[6]**](https://d.docs.live.net/5d267037f6ea5d75/Documents/Investing%20While%20Female%20-%20Quantifying%20the%20Potential%20Effects.docx#_ftnref6) On average