Women’s Growing Role in Benefits and Retirement Decisions

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I recently watched an interesting conference presentation by LIMRA and Pacific Life about women's growing role in household financial management. I think we all intuitively believe that increasingly, women are controlling the purse strings, though I believe survey research is lagging reality. Women aren’t just balancing the checkbook and budgeting, as prior generations were taught in high school; many are taking the lead in employee benefit decisions, and a significant share is overseeing retirement planning and investments.

In nearly every survey I’ve conducted examining gender roles in financial management, women are far more likely to say financial decisions are shared between partners, while men say it’s them. Several recent surveys by leading financial services companies underscore this. In MassMutual’s recent Middle America Financial Security Study, more than 4 in 10 women said financial decisions for the household were shared, compared to fewer than 3 in 10 men. In Lincoln Financial’s Retirement Power Participant Study, half of women in a coupled household said both partners share equally in retirement planning, compared to just under 4 in 10 men. Perhaps I’m being hopeful for gender equality or perhaps it’s because most of my peers live in female-breadwinner households, but I suspect women are taking the lead more often than they let on in surveys.

There are women who clearly describe themselves as the household financial decisionmaker, or as LIMRA’s research calls them, the “Family Financial Officer.” These women, as well as the ones who may just be humble, need an advisor’s attention.

MassMutual’s research revealed that nearly 6 in 10 women who are involved in financial decisions take the lead or make most of the employee benefits decisions for both partners. That means the road to benefits decisions goes through the woman of the house, and often, she’s in charge. Lincoln’s research tells us that more than half of women are the sole decisionmaker for household health insurance decisions. It’s the one area where men were more likely than women to say the decision was shared or handled completely by their partner.

There are more expected, traditional differences when it comes to retirement planning and investments. According to Lincoln’s research, men are more likely than women to call themselves the primary decisionmaker for retirement planning; half of men say this, but still a third of women say they are the household’s main retirement planner. Half of women say retirement planning is a shared activity. Similarly, 6 in 10 men say they primarily manage investments for the household, while a just over a third of women say they are the main investment manager. Four in 10 women say managing investments is a shared task. Decisions related to retirement and investments appear to still be male-dominated.

But let’s do the math: These studies reveal that more than four out of every five women in a coupled household is involved in, if not leading, decisions about employee benefits and retirement planning, and three in four are involved in household investing. Those are some pretty big numbers.

It’s a guess, and an unfortunate one, but I’d wager that many advisors are not approaching conversations about benefits, retirement plans or investments with this household division of labor in mind. Financial advice is an older, male-dominant field, but you don’t have to be a woman to deal effectively with the woman of the house. Most research I’ve conducted would suggest that women don’t need to work with a female advisor. They want an experienced, knowledgeable advisor with a good track record, the same as everyone else. However, other research would suggest that how advisors communicate with women needs to be a bit different than how they communicate with their male counterparts. While everyone needs to hear plain language explanations, women tend to emphasize clear communication more. More importantly, women tend want an advisor who takes a more holistic approach to the household’s finances. Communication has to be more consultative than transactional.

Involving the spouse in conversations has been a challenge for the industry, especially when those conversations are taking place at work. Decisions, however, are not being made by one partner in a vacuum. In order to provide effective advice on benefits and retirement plans, it’s critical to figure out who the decisionmaker really is and make sure that person has a seat at the table.

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