

# Many women were ill-prepared for the pandemic's financial challenges, study reveals

November 19 2020, by Timothy Pierce

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Banking apps that automate saving money are effective—especially for low-income earners—but are not a solve-all to achieve financial wellness, according to new research from the Weatherhead School of Management. Credit: CC0 Public Domain

A new report by the TIAA Institute and the Global Financial Literacy

Excellence Center (GFLEC) at the George Washington University School of Business reveals worrying deficiencies in financial literacy among U.S. women immediately before the onset of COVID-19. These knowledge gaps may hinder women's ability to make appropriate financial decisions in times of uncertainty.

Using data from the fourth annual TIAA Institute-GFLEC Personal Finance Index (P-Fin Index), conducted in January 2020, the research found that, on average, [adult women](#) correctly answered 49 percent of the P-Fin questions versus men who correctly answered 56%.

Further, financial [literacy](#) is notably lower among underrepresented minority [women](#) in seven of the eight functional knowledge areas assessed in the [index](#)—with 38 percent of African American and Hispanic women correctly answering index questions compared to 54 percent of their white peers. Comprehending risk and uncertainty is the area of lowest financial literacy among all women, regardless of race.

"The combination of precarious personal finances and low financial literacy results in poor financial resiliency," said TIAA Institute Senior Economist Paul Yakoboski. "This only amplifies the challenge of weathering what would have been very difficult financial circumstances in any case. As the United States moves past the pandemic and its economic consequences, taking steps to improve American women's financial literacy will be essential to boost their financial resilience."

Additional findings reveal that minority women spent, on average, 13 hours per week contemplating and addressing personal [finance](#) issues, whereas their white peers spent five hours a week. The data show that financial literacy is associated with spending less time dealing with personal finance issues, highlighting the importance of sound financial knowledge.

"The 2020 P-Fin Index findings on women, particularly underrepresented women, are alarming. They signal an urgent need for policymakers, private-sector leaders, and others to develop policies and programs that empower women," said Annamaria Lusardi, Founder and Academic Director of GFLEC and University Professor at GW.

"Without financial education interventions, the inequities we found in this study will become even more severe."

The P-Fin Index is unique in its capacity to produce a robust measure of overall personal finance knowledge and an analysis of knowledge across eight areas of personal finance. It identifies how financial literacy in areas in which individuals routinely function contributes to financial wellness. The index comprises 28 questions concerning the following functional areas:

- Earning: determinants of wages and take-home pay
- Consuming: budgets and managing spending
- Saving: factors that maximize accumulations
- Investing: investment types, risk and return
- Borrowing/managing debt: the relationship between loan features and repayments
- Insuring: types of coverage and how insurance works
- Comprehending risk: understanding uncertain financial outcomes
- Go-to information sources: recognizing appropriate sources and advice

"The TIAA Institute and GFLEC's 2020 personal finance research shows that the nation needs a serious financial education campaign, and that our society must address the structural inequities that contribute to this gender gap in financial literacy," said Cindy Hounsell, president of the Women's Institute for a Secure Retirement (WISER).

**More information:** Financial literacy and wellness among U.S.

women: Insights on underrepresented minority women:  
[www.tiaainstitute.org/publicat ... ented-minority-women](http://www.tiaainstitute.org/publications/ill-prepared-minority-women)

Provided by George Washington University

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