



Consumer Federation of America

THE FINANCIAL CONDITION OF WOMEN ON THEIR OWN

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June 2008

Introduction

There has been little research on female savings habits and adequacy. In part, this is because of the diverse household situations of women, ranging from women who live by themselves to those who are married with children. These diverse situations are paralleled by significant differences in financial condition, with married women tending to be more affluent than those who head their own households.

These "women on their own" deserve special attention because they lack the financial advantages of a second income, which typically would be higher than their own because men tend to earn more than women. The purpose of this report is to use the Federal Reserve Board's latest Survey of Consumer Finances, the most accessible and reliable source of information about family finances, to analyze the savings habits and adequacy of "households with a female householder who is not married or living with a partner." In 2004, there were 31 million such households representing more than one-quarter (26%) of all households.

Demographic Characteristics

The 31 million women who head these households can be divided into three different groups -- those who never married (9 million), those who are divorced or separated (12 million), and those who are widowed (9 million). (All these figures are rounded off to the nearest million.) As Table 1 indicates, the never married tend to be young, with over half (51%) being under 35 years of age. The divorced or separated tend to be middle-aged, with over half (56%) being between 35 and 55 years of age. And the widowed tend to be old, with well over two-thirds (71%) being at least 65 years of age.

Women on their own are disproportionately African-American, especially those who never married. Thirty-seven percent of women on their own who never married, and 21 percent who are divorced or separated, are African-American. Yet, only 13 percent of all households are African-American.

Overall, women on their own are less likely to have dependent children than are other households. Fifty-four percent of all households, but 61 percent of those headed by women on their own, have no children. This is largely because 79 percent of widowed women on their own have no children. Yet, slightly more than half of divorced or separated women on their own (51%), and even 40 percent of those never married, have at least one dependent child in the household.

Women on their own have less education than all household heads: For instance, more do not have a high school degree (19% vs. 14%), and fewer have a college degree (28% vs. 37%). Yet, this overall difference masks significant differences among the three groups of women, with 40 percent of the never married, 28 percent of the divorced or separated, and only 18 percent of the widowed having college degrees. In all probability these educational differences mainly reflect age differences: Young women are far more likely than older women to have a bachelor's degree.

Age also helps explain differences in labor-force participation between women on their own and all household heads. The proportions of divorced or separated women and never married women who work full-time (57% and 62%) differ little from the proportion of all household heads who work full-time (63%). But because only 17 percent of widows work full-time, the proportion of all women on their own who are full-time workers is only 46 percent. Certainly the fact that a large majority of widows are at least 65 years of age mainly explains these relatively low percentages.

Women on their own are much less likely to own their homes than are all household heads (54% vs. 69%). But this difference mainly reflects the fact that only 33 percent of never married women are home owners. The proportion of widowed women who are home owners is actually higher than that of all other household heads.

Financial Characteristics

The income of women on their own is significantly lower than that of all households -- \$30,896 vs. \$70,628 for average incomes, and \$22,592 vs. \$43,130 for median incomes. Somewhat surprisingly, as Table 1 indicates, the incomes of the three women on their own groups did not differ greatly: For instance, average incomes were \$30,916 for the never married, \$32,049 for the divorced or separated, and \$29,386 for the widowed.

However, there were significant differences in wealth among these three groups (Table 2). The median net worth of widows, at \$100,800, was actually higher than that of all households, at \$93,001. But the net wealth of divorced or separated women was much lower, at \$30,400, while that of never married women was only \$6,210. In fact, one-quarter of these never married had zero or negative net worth.

The Consumer Federation of America is particularly concerned about the ability of households to pay for unexpected expenditures, such as car repairs, using their own liquid

financial assets. The proportion of women on their own with a savings or money market deposit account was somewhat lower than that for all households (48% vs. 58%). And in all three groups of women on their own, less than half had savings accounts. Equally significant was the fact that never married and divorced or separated women with these savings typically had much less than all households -- \$1,100 and \$1,600 respectively versus \$5,000. For these two female groups, liquid savings was less than the savings they thought they needed for emergencies and other unexpected events -- \$2,000 for the never married and \$2,500 for the divorced or separated.

Savings Habits

Most women on their own have saved much less than other households. One reason appears to be differences in savings habits: As Table 3 reveals, women on their own are less likely to save regularly and at all. Thirty-three percent of women on their own, but forty-one percent of all households, say they "save regularly. And 33 percent of women on their own say they "don't save," while this is true for only 24 percent of all households. The fact that widows are much less likely to save or save regularly accounts for some of this difference but not all of it.

Women on their own are also less likely to have long planning horizons. Forty-two percent, but only 33 percent of all households, identify this horizon as a year or less, while only 29 percent of the women, but 39 percent of all households, say this horizon is at least five years.

Certainly the savings habits and realities for women on their own reinforce each other. Since their incomes are lower, they probably find it more difficult to save and, thus, save less than other households for emergencies and other savings goals. With less adequate liquid savings for unexpected expenditures, they are more likely to have shorter financial planning horizons.

Conclusion

Women on their own have significantly lower savings and wealth than do other households. The 21 million never married, divorced, or separated women are at a particular disadvantage financially because they hold far less wealth than do widows and all other households. An important reason for this wealth gap is significant differences in income among adults under the age of 65. Another reason is differences in home ownership: The never married, divorced, or separated are far less likely than widows and other households to own their own home. Other research suggests that one's home represents by far the most important source of wealth for low- to middle-income households.

Are women on their own doomed to be low savers and wealth-builders? Not at all, for the savings habits of these women vary considerably. For example 38 percent of the never married say they save regularly yet another 34 percent say they do not save. This large difference is also true for divorced or separated women.

We do not have data that allow us to analyze these differences with any precision. But we do know, from other research, that a large majority of all women on their own can save regularly and that this saving is made easier by using automatic savings mechanisms such as payroll contributions to 401(k) and other savings accounts and by asking one's bank or credit union to automatically transfer funds, each month or pay period, from checking to savings.

Table 1. Characteristics of All Households and Households with a Female Householder Who Is Not Married or Living With A Partner, 2004 Survey of Consumer Finances (column percents)

Characteristic	All Households	Households with a Female Householder Who Is Not Married or Living With A Partner ¹				
		Total	Divorced/separated	Widowed	Never Married	
Age of respondent						
Less than 35 years	22.19	20.13	11.71	0.67	51.38	
35 to 44 years	20.62	17.83	25.75	1.74	23.85	
45 to 54 years	20.77	17.83	30.43	5.96	13.26	
55 to 64 years	15.24	15.24	16.19	20.99	8.06	
65 years and over	21.19	28.97	15.92	70.63	3.46	
Education of respondent						
Less than high school	14.43	18.94	14.51	32.11	11.28	
High school graduate	30.60	30.22	31.48	32.30	26.39	
Some college	18.37	22.63	26.75	17.53	22.39	
Bachelor's degree	36.61	28.21	27.75	18.05	39.94	
Race/ethnicity of respondent						
White nonhispanic	71.82	65.32	64.37	79.77	51.71	
Black nonhispanic	13.41	24.00	20.84	15.68	36.78	
Hispanic	11.17	8.44	11.35	3.17	9.98	
Nonhispanic, other races	3.61	2.24	3.45	1.37	1.53	
Marital status of respondent						
Married	57.97	--	--	--	--	
Divorced/separated	16.82	39.63	100.0	--	--	
Widowed	10.44	30.63	--	100.0	--	
Never Married	14.78	29.74	--	--	100.0	
Total household income						
First quintile	20.21	42.49	36.86	47.80	44.53	
Second quintile	20.12	25.86	28.10	27.24	21.47	
Third quintile	19.79	20.10	21.65	15.88	22.37	
Fourth quintile	19.74	8.27	9.18	6.76	8.61	
Fifth quintile	20.15	3.28	4.21	2.32	3.03	
Housing tenure						
Home Owner	69.05	54.44	55.97	73.41	32.87	
Renter	30.75	45.56	44.03	26.59	67.13	
Labor market behavior of respondent						
Employed full-time	62.83	46.10	56.88	16.74	61.98	
Employed part-time	9.06	12.92	12.07	8.48	18.61	
Not in the labor force	28.10	40.98	31.05	74.78	19.42	
Family size						
One person	30.65	64.90	52.64	85.51	60.00	
Two persons	33.39	17.56	21.74	9.18	20.61	
Three persons	14.82	10.66	17.34	2.14	10.54	
Four or more persons	21.14	6.89	8.29	3.17	8.85	
Number of dependent children in the household						
None	54.45	61.64	49.26	79.39	59.84	
One child	19.48	19.50	23.55	12.84	20.96	
Two children	15.46	11.56	19.19	2.68	10.54	
Three or more children	10.62	7.30	8.00	5.09	8.66	
Household receives welfare assistance²						
	7.70	16.95	18.62	11.15	20.71	
Household receives Social Security benefits³						
	31.19	40.78	28.46	86.68	9.93	
Age						
	Mean	49.56	52.82	49.95	72.21	36.67
		48	52	49	75	34

Characteristic	All Households	Households with a Female Householder Who Is Not Married or Living With A Partner ¹			
		Total	Divorced/separated	Widowed	Never Married
Median					
Family size	Mean 2.26	1.60	1.81	1.23	1.68
Median	2	1	1	1	1
Number of dependent children	Mean 0.88	0.70	0.92	0.38	0.72
Median	0	0	1	0	0
Total annual household income	Mean \$70,628	\$30,896	\$32,049	\$29,386	\$30,916
Median	\$43,130	\$22,592	\$25,673	\$19,511	\$23,619

SOURCE: 2004 Survey of Consumer Finances (SCF04) represents 112.1 million U.S. households. All statistics calculated using the SCF final nonresponsive-adjusted sampling weights (X42001)

¹Subsample of households with a female householder who is not married or living with a partner represents 30.6 million households:

- 12.1 million households with a divorced or separated female householder
- 9.4 million households with a widowed female householder
- 9.1 million households with a never married female householder

²Household received ADC, AFDC, food stamps, or other forms of welfare or assistance such as SSI

³Household received income from Social Security or other pensions, annuities, or other disability or retirement programs

Table 2. Net Worth, Financial Assets and Savings Accounts for All Households and for Households with a Female Householder Who Is Not Married or Living with a Partner, 2004 Survey of Consumer Finances (column percents)

Variable	All Households	Households with a Female Householder Who Is Not Married or Living With A Partner ¹			
		Total	Divorced/separated	Widowed	Never Married
Net worth					
Median net worth (including zeros and negative values)	\$93,001	\$32,850	\$30,400	\$100,800	\$6,210
Percent of households with positive net worth	91.10	84.40	83.79	94.73	74.58
Percent of households with net worth equal to zero	1.76	3.60	3.69	1.49	5.64
Percent of households with negative net worth	7.14	12.00	12.52	3.79	19.78
Net financial assets					
Median net financial assets (including zero values)	\$18,300	\$4,000	\$3,240	\$10,100	\$2,100
Percent of households with positive net financial assets	93.81	90.55	92.62	92.13	86.17
Percent of households with net financial assets equal to zero	6.19	9.45	7.38	7.87	13.83
Savings accounts or MMDA					
Median value of accounts for those with savings or MMDA	\$5,000	\$2,200	\$1,600	\$5,000	\$1,100
Percentage of families with savings accounts or MMDA	57.65	47.84	49.89	46.11	46.89
Funds for emergencies					
Median level of savings perceived needed for emergencies and other unexpected events	\$5,000	\$2,400	\$2,500	\$4,000	\$2,000
Percent who could get emergency financial assistance of \$3,000 or more from any friends or relatives who do not live with the respondent	65.79	54.79	52.74	59.17	53.03

Table 3. Opinion and Expectation Variables of All Households and Households with a Female Householder Who Is Not Married or Living With A Partner, 2004 Survey of Consumer Finances (column percents)

Variable	All Households	Households with a Female Householder Who Is Not Married or Living With A Partner ¹			
		Total	Divorced/separated	Widowed	Never Married
Planning horizon for saving and spending					
Next few months	19.20	26.10	28.61	25.17	23.73
Next year	14.00	15.58	12.59	17.68	17.39
Next few years	27.77	29.76	26.81	34.52	28.78
Next 5-10 years	25.72	19.18	21.23	17.16	18.54
Longer than 10 years	13.32	9.38	10.77	5.47	11.56
Saving habits					
Don't save – usually spend more than income	7.04	10.38	11.52	8.97	10.30
Don't save – usually spend income	16.48	22.37	22.24	22.49	22.43
Save whatever is left	30.42	31.59	30.42	37.95	26.61
Save income of one earner	2.30	0.67	0.19	0.67	1.30
Save transitory income; spend regular income	4.85	3.96	3.59	5.03	3.37
Save regularly	40.76	32.77	33.63	26.64	37.93
Relationship between spending and income					
Spending greater than income	15.41	20.92	21.53	19.68	21.39
Spending equal to income	28.50	38.05	38.47	39.43	36.08
Spending less than income	56.09	41.02	40.00	40.90	42.53