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Transformation

The Rising Wealth of Women

13 March 2024

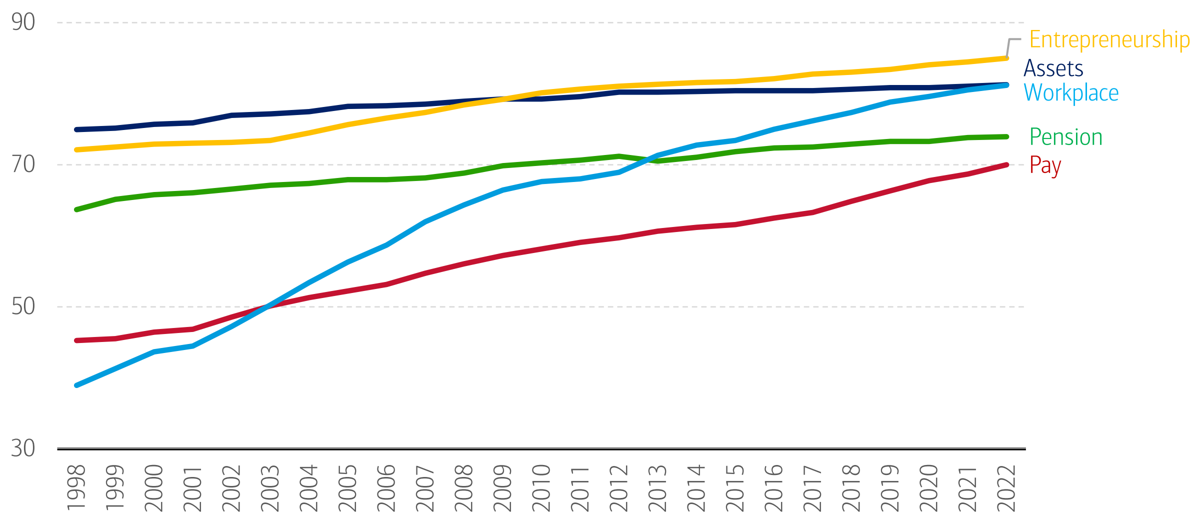
Key takeaways

- Over the next decade, $30 trillion in US wealth is expected to be transferred to younger women, per BofA Global Research. This wealth is already starting to be passed down, and that will soon mean that women control more money than ever before.
- As women become more active in financial decision-making, understanding their goals and risk preferences increases its importance. Women tend to think longer term and prioritize capital protection when making financial decisions. Plus, women are more likely to make sustainable investments and give to female-focused philanthropic efforts among affluent households.
- However, gaps in gender parity remain and progress on women's financial health has not been equal across all regions, meaning the Great Wealth Transfer won't be equal either. This could further drive a gap between wage equality, entrepreneurship, rising political empowerment, and better access to leadership positions for women.

Women's wealth is rising globally

In 2022, about 33% of the world's wealth was held by women (BCG). While about half of this is in the US, women globally are increasing their financial firepower. Data from the World Bank, which tracks the laws and regulations that affect women's economic opportunity, suggests women are now better supported in building their wealth thanks to legal reforms (Exhibit 1).

Exhibit 1: Legal systems globally are increasingly supporting wealth transfer to women
Women, Business and the Law Indicator Scores for Entrepreneurship, Assets, Workplace, Pension, and Pay for the world (on a scale from 1-100), 1998-2022



Source: World Bank: Women, Business and the Law. The Assets indicator examines gender differences in property and inheritance law, including instances in which legal systems are supported by customary law and judicial precedent. The Pay indicator measures laws affecting occupational segregation and the gender wage gap. The Entrepreneurship indicator measures constraints on women starting and running a business. The Pension indicator assesses laws affecting the size of a woman's pension. The Workplace indicator analyzes laws affecting women's decisions to enter the labor market, including women's legal capacity and ability to work, as well as protections in the workplace against discrimination and sexual harassment.

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In the US, a staggering $84tn in wealth is expected to be transferred to younger generations through 2045 (Cerulli Associates). For context, this "Great Wealth Transfer" amount is almost as much as global GDP in 2022 ($101tn). Approximately $30tn of that will be inherited by women in the next decade alone. Much of this will move from Baby Boomer men to their wives and children. According to McKinsey, married Baby Boomer men have wives who tend to be about two years younger than their husbands, and these women, on average, will live five years longer than their husbands.

This wealth is already starting to be passed down, which means that soon women will control more money than ever before. How they use this money is expected to have a profound impact. Why? Younger, educated women tend to be more financially literate than their mothers and grandmothers. Plus, as women marry later,[1] they are also increasingly likely to enter marriage with experience managing their finances and investments independently.

Women make money decisions differently

Globally, more women are accessing banking services: 81% of countries with data saw increases in women's financial participation in 2018 vs. 2022, according to BofA Global Research. However, women face lower lifetime earnings, longer life expectancy, and higher likelihood to take time off to be caregivers (see: High childcare costs threaten women's progress).

On average, US women earn $0.83 for every $1 earned by men, which contributes to them having a 34% lower median retirement income than men (source: US Bureau of Labor Statistics, ASEC 2022 Current Population Survey). This means that women tend to think longer term and prioritize capital protection when making financial decisions.

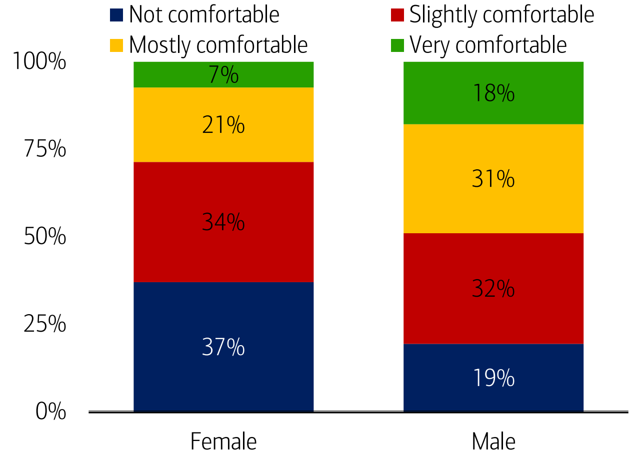
Yet, an analysis of Federal Reserve data and BofA Global Research shows that only 28% of US women are very or mostly comfortable making investment decisions vs. 39% of men, especially around retirement (Exhibit 2). Additional analysis found that women tend to be more risk-averse than men.

This risk aversion has historically driven women to allocate a smaller percentage of their investments to equities and riskier assets like cryptocurrency than men. Affluent women tend to be more risk-tolerant than women in less affluent households, and are more likely to own/inherit equities, mutual funds, and/or private businesses (Exhibit 4).

Among women in less affluent households, older women are more likely to be comfortable making their own investment decisions (39%) than younger women (25%). However, we see the opposite in more affluent households: a smaller percentage of women over 60 (40%) than women under 60 (45%) report being comfortable making these decisions (Exhibit 3).

Exhibit 2: A confidence gap exists between men and women

Comfort with making one's own investment decisions in retirement accounts, by gender (% of US respondents)



Source: BofA Global Research, Board of Governors of the Federal Reserve System, "Survey of Household Economics and Decisionmaking, 2022". Based on a survey of more than 11K US adults.

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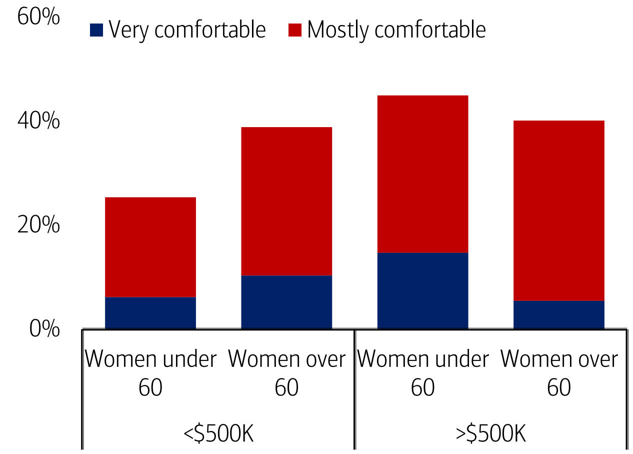
Exhibit 3: Financial confidence is highest among younger, affluent women

Percent of US women who are very or mostly comfortable with making one's own investment decisions in retirement accounts, by household savings and investments



Source: BofA Global Research, Board of Governors of the Federal Reserve System, "Survey of Household Economics and Decisionmaking, 2022". Based on a survey of more than 11K US adults.

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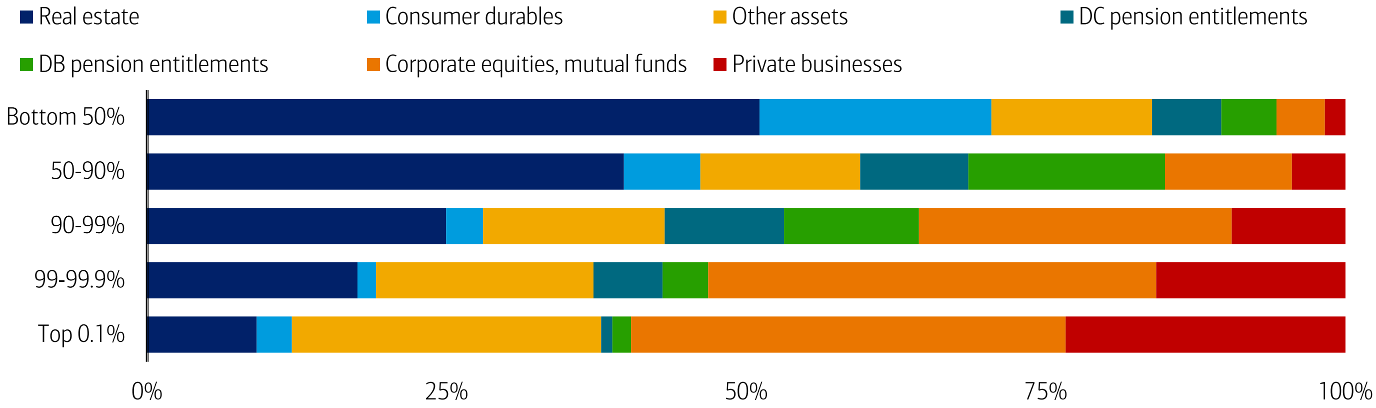
[1] American women's median age at first marriage was 28 in 2023, up from 21 in 1973 and 25 in 2003 (source: US Census)

Exhibit 4: Most affluent households have a greater share of their wealth in equities, mutual funds, and private businesses
Share of assets (%) by wealth percentile group in Q3 2023



Source: Federal Reserve's Survey of Consumer Finances and Financial Accounts of the United States

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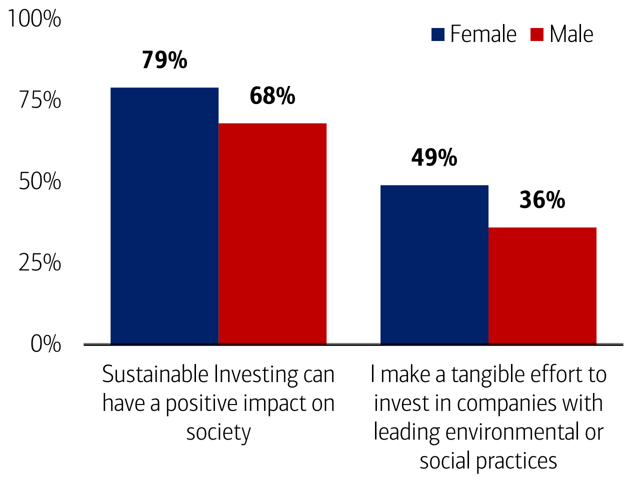
When women invest and give to philanthropy, impact matters

Bank of America Private Bank's Study of Wealthy Americans (see Methodology for details) also finds that US women are more likely to believe sustainable investing can have a positive impact on society and, as a result they make an effort to invest with impact (Exhibit 5). All told, 85% of affluent women in the US consciously align their purchasing decisions with their values at least some of the time and 10% of affluent women participate in sustainable or impact investing.

In 2022, 86% of affluent women indicated that their households gave to charity and 10% participated in sustainable/impact investing. And according to the 2023 Bank of America Study of Philanthropy (see Methodology for details), affluent women are driving positive change through their economic influence and strategic philanthropy (see: Charitable giving by affluent households), with most (85%) household charitable giving decisions made or influenced by a woman.

Exhibit 5: Women more interested in sustainable investments
Percent of affluent Americans who strongly or somewhat agree, by gender



Source: 2022 Bank of America Private Bank Study of Wealthy Americans.

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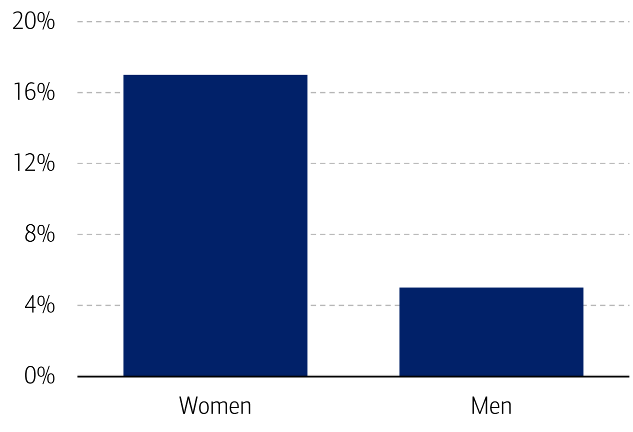
Exhibit 6: Affluent women were significantly more likely to select women's and girls' issues as one of their top three most important causes/issues compared to men
Percent of affluent individuals who selected women's and girls' issues as one of their top three most important causes/issues



Source: 2023 Bank of America Study of Philanthropy, Bank of America Institute

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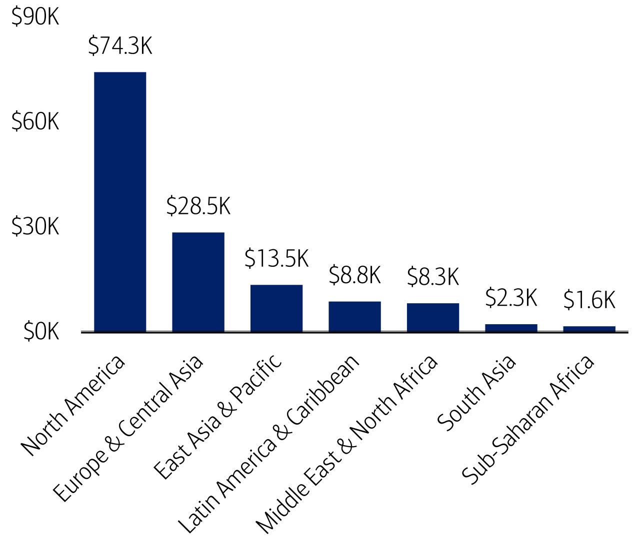
Additionally, significantly more affluent women sometimes or always consciously aligned their purchasing decisions with their values compared to affluent men (85% and 75%, respectively), and for many women, wealth is a family matter. Women are significantly more likely to say they involve relatives of other generations in their giving (e.g., to help them decide which charities, issues and/or causes to support) compared to men.

Affluent women were also significantly more likely to select women's and girls' issues as one of their top three most important causes/issues compared to men (Exhibit 6). The top three reasons affluent individuals indicated that they gave to support women's and girls' causes in 2022 included: the desire to improve the world for women and girls, the belief that supporting women and girls is the most effective way to solve other social problems, and the desire to improve the world for their children. One intended purpose of giving to support women and girls — reproductive health/rights — was up significantly in 2022 compared to five years earlier (51% of affluent individuals who gave to women's and girls' causes in 2022 gave for this reason, compared to 36% in 2017).

The Great Wealth Transfer will be uneven: wealth goes to the wealthy

However, the Great Wealth Transfer, a colossal shift in who owns money, will not be a boon for all. Money will remain concentrated in wealthy countries and among wealthy families, even as it is spread more equally between men and women. Over 40 countries globally still lack gender-equal inheritance laws, and almost two-thirds of these are lower-middle and lower-income countries.

Exhibit 7: Per capita wealth varies significantly across regions
Gross national income (GNI) per capita in current USD, 2022



Source: World Bank

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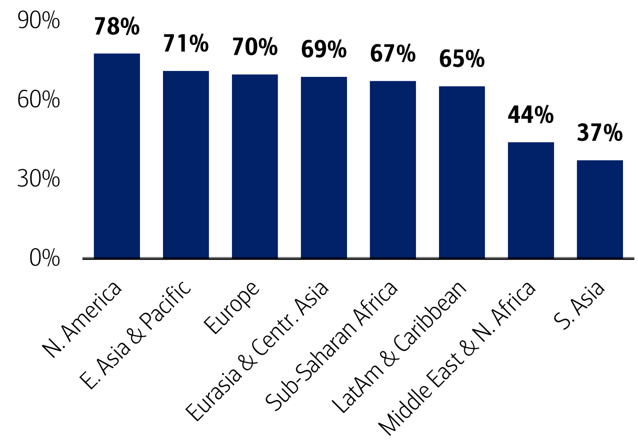
Exhibit 8: Women in North America benefit from greater economic gender parity
Economic Participation and Opportunity Index (% gender parity), by region



Source: World Economic Forum 2023 Global Gender Gap Report. Note: Population-weighted averages for the 146 economies featured in the Global Gender Gap Index 2023. The percentages are indicative of the gender gap that has been closed.

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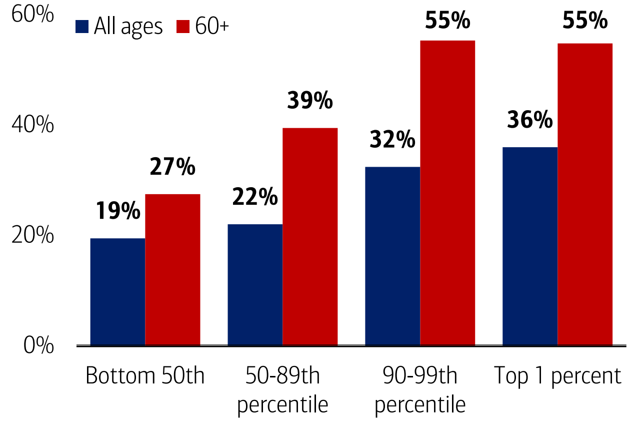
North America, for example, has the highest gross national income per capita, which allows women—and men—in the region to save and pass on significantly more wealth than other regions (Exhibit 7). Additionally, women in North America see the smallest economic gap relative to their male peers, as measured by outcomes on salaries, participation levels, and access to high-skilled employment (Exhibit 8).

However, even in regions with greater gender equality, differences in entrepreneurship, labor force participation, and investment rates between men and women are affecting women's wealth accumulation. And women who are already affluent are most likely to inherit more money, while those struggling are less likely to see net worth gains from this transfer of wealth.

In the US, affluent households are more likely to believe it is important to leave their heirs an inheritance; 93% of households in the top 1 percent of earners believe it is at least somewhat important to leave an estate or inheritance to heirs, compared with 81% of households in the bottom 50th income percentile, according to BofA Global Research.

Furthermore, analysis from the Federal Reserve's 2022 Survey of Consumer Finances and BofA Global Research found that the top 1 percent of earners receive inheritances at twice the rate of those in the bottom 50 percent of earners (Exhibit 9). Among those who inherited, the average inheritance of those in the top 1 percent is 11x higher than the average inheritance of those in the bottom 50 percent (Exhibit 10). All told, close to half (41%) of reported inheritances (by value) went to the top 10 percent of earners.

Exhibit 9: Bottom 50 percent of earners are half as likely to inherit
Percent who have already inherited, by income percentile and age



Source: BofA US ESG Research, Federal Reserve 2022 Survey of Consumer Finances. Note: Based on age of head of household.

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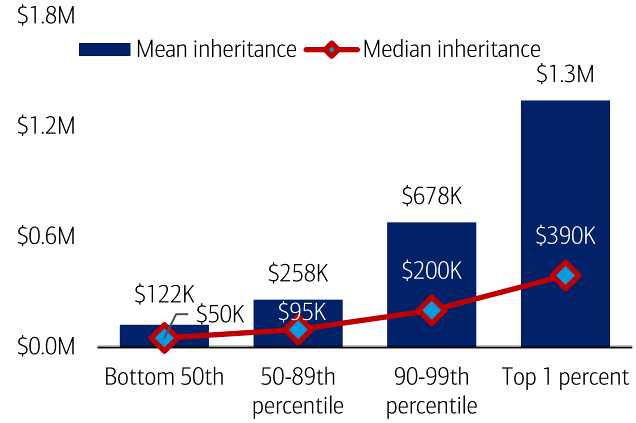
Exhibit 10: Inheritances follow the wealthy
Mean and median of total inherited, by income percentile (among those who inherited)



Source: BofA US ESG Research, Federal Reserve 2022 Survey of Consumer Finances. Note: Based on inheritance at time of receipt.

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Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

2023 Bank of America Study of Philanthropy: Charitable Giving by Affluent Households Survey Methodology: All results presented in this report rely on data obtained from an original survey developed by the Indiana University Lilly Family School of Philanthropy (School) in partnership with Bank of America and fielded by Ipsos Public Affairs on behalf of the School. The survey was conducted on KnowledgePanel®, the largest online panel in the United States that relies on probability-based sampling methods for recruitment to provide a representative sampling frame for adults in the U.S. All data were collected between January 19, 2023, and February 13, 2023, and reflect giving activity during the 2022 calendar year.

The survey is based on a nationally representative random sample of 1,626 affluent individuals with a net worth of $1 million or more (excluding the value of their primary home) and/or an annual household income of $200,000 or more (a standard in the financial industry as a benchmark for wealth, also referred to as 'accredited investors'). The median income and wealth levels of the respondents exceeded the threshold for participation, at $300,000 and $2,000,000, respectively.

2022 Bank of America Private Bank Study of Wealthy Americans is a comprehensive survey of high-net-worth and ultra-high-net-worth individuals in the U.S., conducted to better understand the evolving dynamics of wealth in a changing America. The quantitative survey included 1,052 people with household investable assets of more than $3 million and who were over the age of 21. It was designed to be a statistically representative sample of the population in the U.S. that meets these two criteria.

Since 2013, the Federal Reserve Board has conducted the Survey of Household Economics and Decisionmaking (SHED), which measures the economic well-being of U.S. households and identifies potential risks to their finances. The survey includes modules on a range of topics of current relevance to financial well-being including credit access and behaviors, savings, retirement, economic fragility, and education and student loans. The most recent survey was conducted in October 2022 and is based on response from more than 11,000 US adults.

The Survey of Consumer Finances (SCF) is normally a triennial cross-sectional survey of U.S. families. The survey data include information on families' balance sheets, pensions, income, and demographic characteristics. Information is also included from related surveys of pension providers and the earlier such surveys conducted by the Federal Reserve Board. No other study for the country collects comparable information. Data from the SCF are widely used, from analysis at the Federal Reserve and other branches of government to scholarly work at the major economic research centers. The 2022 Survey of Consumer Finances (SCF) is the most recent survey conducted.

Additional information about the methodology used to aggregate the data is available upon request.

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The 2023 Bank of America Study of Philanthropy: Charitable Giving by Affluent Households

The 2022 Bank of America Private Bank Study of Wealthy Americans

Disclosures

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