

Women are better savers, but men save more: Vanguard

By Editorial Staff Wed, Nov 4, 2015

In its investigation of the “substantial imbalance” in wealth accumulation for men and women in Vanguard-administered retirement plans, Vanguard reviewed participation rates, savings rates and investment choices.

Women are more likely to save in DC plans than men but men have significantly higher account balances than female participants, a new research study from the Vanguard Center for Retirement Research shows. The probable reasons: Men have higher average wages and hold more senior, longer-tenured positions.

The average account balance of Vanguard participants in the study was \$123,262 (median \$36,875) among men and \$79,572 (median \$24,446) among women. “The difference is not due to savings behavior but the higher wages of men,” Vanguard said. Male participants earn 25% to 33% more than female.

In its investigation of the “substantial imbalance” in wealth accumulation for men and women in Vanguard-administered retirement plans, Vanguard reviewed participation rates, savings rates and investment choices. Some of the findings:

- Female Vanguard participants are 14% more likely than men to participate in their workplace savings plans.
- Women earning less than \$100,000 have participation rates that are about 20% higher than those of their male counterparts.
- Once enrolled, women save at higher rates. Across all income levels, women save at rates that are between 7% and 16% higher than men’s savings rates.

Looking only at plans with automatic enrollment, men and women participate at the same rate, suggesting that men are benefit more from auto features. On the other hand, lower-wage individuals typically see the largest improvements from auto enrollment—and about 60% more women fall into the lower-income bands than men.

“Women absolutely demonstrate a conscious inclination towards savings and, even with a higher proportion of women earning lower wages, the tailwind of auto-enroll has maintained that savings lead,” said Jean Young, senior research analyst in the Vanguard Center for Retirement Research and the author of the report. In voluntary enrollment plans, women save at rates that are 6% higher than men.

Over the last five years, male participant returns only slightly edged out those of women,

Vanguard research shows. Median returns for men were 10.9%, compared with 10.6% for women.

Contrary to the view that women are more risk-averse, their equity exposure is similar to men's in Vanguard plans. Female participants are less likely to hold employer stock and more likely to hold balanced investment allocations. Nearly half of Vanguard female participants adopted a managed account program, target date fund, or traditional balanced fund.

Women are also far more likely than men to hold a target-date fund. As of year-end 2014, 42% of women held a single target-date fund and, on average, held 52% of account balances in target date funds (TDF). In aggregate, 17% more women than men held a single TDF in their retirement plan accounts. Women also traded about one-third less than men, with only 7% of female participants trading in 2014.

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