

At a Tipping Point - Women Are Creating a Financial and Family Legacy



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Women are in a unique and special position as they increasingly serve as the main guardian and creator of their family's legacy. A family legacy goes beyond estate planning and the transfer of wealth to include the beliefs, actions, and guidance demonstrated in your life that carry forward to future generations. A family legacy seeks to answer the question "To what end is this all for?" Upon reflection of that question, most women recognize that the passing down of core values is just as important as the transfer of money. And as master jugglers - leading point on everything from their family members' social and emotional needs, to covering the basics of supplying a household – women know their family through and through. This puts them in a unique position to create their family legacy.

This legacy should complement the wealth or estate plan by preparing your family to navigate the opportunities and responsibilities that lie ahead. And while the financial inheritance is only one part of a family legacy, it is the one most at risk. In 90% of cases, inheritance will be depleted by the third generation. This means that by the time grandchildren are grown, the inheritance of their grandparents will be depleted. One of the biggest reasons that wealth is historically made and lost in three generations is because of a lack of communication.¹

Money is considered by many to be a taboo topic, even within immediate families. Having a communication barrier about such an important subject as money makes it difficult for families to create and to maintain a family legacy. The good news is that women can play a valuable role in opening up the lines of communication, and are well positioned to do so given the central role that so many women play within their families. By talking with your family about your hopes and expectations, as well as your successes and your failures, your family can begin to understand your core beliefs and values. This communication lays the groundwork for defining your family's legacy.

Another key reason for loss of family wealth is that beneficiaries do not have the knowledge and skills they need to manage the assets that they receive.¹ Financial education is most successful when it begins at an early age and is consistently discussed over time. This gives family members time to learn from one another, to ask questions, and to enlist help from professionals if they need it.

The need for financial education applies to all family members, but it appears that it is particularly important for women. Studies show that there is a meaningful gap in financial literacy between men and women.² Women tend to have experience and are as confident as men in paying bills and budgeting, but on average the experience and confidence for women drops significantly below men when it comes to managing investments. And to compound this, women report that their biggest financial regret is not investing more. The main barriers to investing for most women are a lack of knowledge and confidence. By taking the time to develop personal financial knowledge and skills, and then to take action by managing investments, women can gain experience as the first step towards achieving financial success.

Women need to be financially prepared, as they are poised to receive much of the wealth transfer based on their longer life expectancy and other demographic trends. On a positive front, we are seeing that more and more women are becoming involved in managing family wealth and they are now managing a third of total US personal financial assets. Given current demographic shifts, this percentage is predicted to substantially increase over the next decade. And with this increase, women can help guide their family's finances to support their life goals and to leave a legacy for their children, their community, and beyond.

The nature of the role women play in creating and maintaining their family legacy can take shape in many different forms, whether through making investment decisions, educating their children, nurturing the character and values of children, fulfilling charitable goals, or other endeavors. We view this as a tipping point for women serving as the stewards of family wealth, and we want to help ensure that women are well prepared and empowered so that their knowledge and confidence matches their responsibilities.

¹ What is family legacy planning?, Vanguard Family Legacy Services.

² What Explains the Gender Gap in Financial Literacy?, US National Library of Medicine, National Institutes of Health.

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