

The Rise of Women's Wealth

Understanding Generational and Gender Dynamics for Planners

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The last 50 years have seen enormous societal shifts in the role women play in their own personal finances. From getting married later in life to securing more senior and higher paying positions to inheriting significant amounts of money, more women find themselves as the financial decision maker of the family today than ever before. As a result, many of the tools traditionally used for men have become appropriate for women as well.

However, not all generations view their wealth through the same lens, and each generation has its own unique set of needs when it comes to financial planning.

Baby Boomers and Women Inheriting Wealth

Baby Boomer women are expected to gain the most wealth in the near future. By 2030, women are expected to control the majority stake of the \$30 trillion that is

currently held by that generation. Women have long had a longer life expectancy than men in the United States, and the latest CDC numbers (from February 2021) show that gap is widening. Women now outlive men, on average, by more than five years. The basic estate plan in many family situations sees the first spouse to die leaving the majority of their assets to the surviving spouse, statistically the wife. Therefore, as second to die, it is often the wife's estate plan that controls the ultimate disposition of wealth to family, non-family heirs and charities.

Even though Baby Boomer women are expected to gain control of their generation's assets, women of this generation are much less likely to have taken an active role in the family's finances than in younger generations. Additionally, an estimated 70% of widows change advisors within one year of their partner's passing. With these points in mind, advisors

should be all the more focused on including Baby Boomer women in important planning discussions while their spouse is living. Such financial education and inclusion in planning conversations is key to providing Baby Boomer women with a solid foundation from which to make lasting decisions about their family's wealth. Additional tax planning, permissible changes in trusts and wills, changes to investment and real asset management, and reviews of powers of appointment may all be up for discussion for these surviving spouses.

Generation X, Millennials and Shifting Marital Statistics

For Generation X ("Gen X") and Millennial women, their contribution to a shift in societal norms has yielded more women with significant wealth of their own, independent of their families and their partners. As more women joined the workforce in the '80s and '90s, Gen X and Millennial women leaned into their careers and increasingly delayed marriage as well as starting a family. For example, in 2021, the median marrying age for an American woman was 28 years old, dramatically higher than the median marrying age of 20 in the 1960s. As a result, women are gaining higher profile positions, owning more businesses, and overall, entering into marriage with far more individual assets than previous generations, leading many to now take into account the financial implications of walking down the aisle before deciding to say, "I do."

Historically the domain of men, pre- and post-marriage financial planning is increasingly being driven by women. Though traditional prenuptial ("prenup") and postnuptial ("postnup") agreements are still somewhat common, often prospective spouses or the newly wed find these discussions uncomfortable or unpalatable. Another option for women of independent means to consider is a Delaware asset protection trust ("DAPT") in lieu of the prenup or postnup. When properly established, funded and administered, the DAPT can shield a woman's assets from substantially all creditors, including a future spouse. Timing here is key, as transfers must take place prior to marriage in order to maintain protection over the trust assets in the event of divorce. Unlike a prenup, DAPTs do not require disclosure of assets and are not generally subject to equitable interpretations or rewrites by a judge. For these reasons, many women may prefer the use of the DAPT over the use of the prenup.

Also particular to Gen X and Millennial women is a growing trend towards long-term committed relationships, where women may choose not to get married for philosophical, financial or personal reasons. Many of these women have accumulated wealth they wish to protect. While a prenup/postnup will not apply in cases of unmarried partners, a DAPT can still be an effective means of protecting one's independent wealth. Women in committed, non-married relationships may also wish to consider a legal co-habitation agreement that sets forth which assets may be available to each partner, which remain the sole property of each individual and how assets will be divided should the relationship end. Especially important to address is the disposition of the shared home, whether it be owned, mortgaged or rented: consideration of the home can avoid the awkwardness or financial issues that may befall an ex-partner who is obligated on a lease or who may have contributed to the equity of a residence that they do not own.

Going one step further, a growing segment of Gen X and Millennial women are choosing never to marry or live with a partner. For these women, the importance of having an up-to-date estate plan is significant. In particular, planning for incapacity takes on heightened importance when a spouse or partner is not available to assume the role of decision-maker from both a medical and financial standpoint. Creating and regularly updating health care proxies, advanced directives and financial powers of attorney ensures that timely and appropriate medical and financial decisions are made with full knowledge of the person's circumstances and wishes. Additionally, having a revocable trust or will ensures that assets pass as intended, and not as per the state law default.

For the first time, many women in these generations have made the protection of assets one of their principal financial planning concerns. Regardless of their marital status, unlike preceding generations, Gen X and Millennial women have accumulated significant independent wealth, shifting more of them into the role of financial decision-maker and necessitating a parallel shift in planning patterns that historically focused on men.

Generation Z and Millennials Shifting Views of Wealth

Each rising generation brings a new set of collective values to the financial landscape, and the young Millennial and Generation Z ("Next Gen") women are no different. Women of that age group are hitting the high-net-worth stratosphere at an increasing rate, and with that comes an entirely new set of wealth priorities. As more women achieve top-level positions in the workforce, the number of opportunities to own businesses and gain leadership in influential institutions increases for the younger generation. Specifically in the financial space, Next Gen investors are starting to invest earlier than previous generations. Perhaps more importantly, younger women are taking initiative to leverage their wealth in line with their values in ways that Baby Boomer and Gen X women previously have not. Based on the world events these generations have grown up with, Next Gens are on the whole extremely altruistic, although not in the traditional sense. Next Gen philanthropists, especially women, hold an entirely different set of charitable values from previous generations, as many believe that they have an opportunity to address societal problems and issues through impact investing. This investing is often aimed at Environmental, Social and Governance ("ESG") issues. As industry professionals, recognizing this motivational difference in younger generation clients is key to developing lasting relationships.

As the importance of ESG investing for these women – and in fact their generation as a whole – rises, incorporating these desires into financial and estate plans becomes a priority. In the trust space, without specific language in the trust document, it can be difficult to ensure that ESG investments will be incorporated and/or given priority over other investments that might produce better returns. Ensuring that the necessary language to facilitate impact and ESG investing is included in planning documents guarantees that trustees have the option to invest as per the grantor or beneficiary's wishes.

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Next Gen women also tend to view their wealth as a tool for targeted, charitable giving as well as a vehicle for socially responsible investing. While charitable giving takes place across all generations, today's younger philanthropists and their giving habits are often driven by which organizations will have the greatest impact on a cause. By contrast, older generations' charitable intent is often driven towards giving based on relevance or connection to their own lives (e.g. alma mater, local service foundations and organizations, personal causes). Of further importance to Next Gen donors are organizations aligned with their personal views and beliefs that are also capable of achieving measurable outcomes. Such organizations can inspire Next Gen philanthropists to mobilize quickly and flexibly in order to allocate funds in a targeted manner that will achieve visible results.

As women's wealth continues to grow, they are increasingly taking the lead in making financial decisions. Advisors should strive to understand the generational differences among women and how their wealth priorities, attitudes and needs are evolving. While each woman's priorities, wealth history and values will be unique, advisors need to acknowledge, prepare for, and be engaged in this dramatic shift of generational and gender wealth dynamics.



Gina M. Nelson is Senior Vice President – Head of Fiduciary Services with over 15 years of experience in various trust and estate roles. Prior to joining Chilton Trust, Ms. Nelson served as Executive Director/ Global Head of Trusts and Estates Risk at J.P. Morgan where she was responsible for Risk Management of all of J.P. Morgan's trust companies, which include the U.S.,

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