

# Horizons 2021

A QUARTERLY NEWSLETTER FOR HOMESTEAD FUNDS' SHAREHOLDERS

2Q

00261756



## A Closer Look at Women and Money

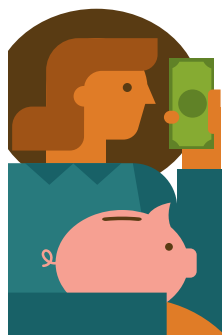
We are always aiming to offer useful guidance to help you stay on track with saving and investing. Usually we're offering general tips meant for a broad audience.

But in our day-to-day interactions with investors, we are not dealing with the broad and the general; we are dealing with the specific needs of families and individuals. And here's what we see with many women: There remain some noteworthy differences between the sexes in terms of work trends, income realities, debt levels and attitudes about money.

All of us recognize that women are capable, educated and empowered — but their financial lives are not identical to men's. They face different challenges, and they bring different strengths and weaknesses to the table in their

financial habits. Research suggests they're better at budgeting and paying down debt, but they can skew too conservative in investing. They continue to bear more of the burden for caregiving, both for children and elderly family, and they are more likely to face gaps in paid employment or to work part-time to manage the load — a trend aggravated further by COVID-19 and the restrictions of pandemic living. Though many of those headwinds are easing as life slowly returns to normal, some women have lost ground.

In this issue, we look at the unique circumstances that women face when they make financial choices. We offer tips and guidance for addressing these realities — advice we hope will help not just our women readers but also the fathers, husbands and friends who may also appreciate insights into the specific challenges facing women. ✨



### Why Women Need to Save More

Women need to save more than men, and it's not just because they typically live longer and often retire younger. Women still tend to earn less than men over a lifetime, and they are more likely to leave the workforce or to work part-time to care for children or elderly family. With spottier income, women should also have more in emergency savings — an extra layer of

*Continued on page 2*

### WOMEN ARE:



**LESS likely** to prioritize growing their wealth (28% women vs. 35% men)



**MORE likely** to prioritize paying down debt (55% vs. 46%)



**EQUALLY likely** to focus on saving for retirement (43% vs. 41%)

Think Advisor, "BlackRock: women and men look at money, investing differently"

### STILL GETTING PAPER STATEMENTS?

If you'd prefer to receive your account statements electronically, just visit us at [homesteadfunds.com](https://www.homesteadfunds.com) and log in to your account to update your preferences.

protection to buffer against financial shocks. Despite the enormous progress toward workplace equality in recent decades, imbalances persist when it comes to women’s wealth.

### Women (on Average) Still Earn Less Per Hour

The wage gap — the difference between what the average man makes and what the average woman makes for paid work — has closed dramatically since 1980. But women still make less, on average, than men. In a recent study, Pew Research Center found that women’s median hourly earnings were about 85% of men’s. In 1980, it was 64%.<sup>1</sup>

We keep saying “on average” because it’s a complicated issue to pick apart for any single occupation or group or person. Women in total earn less, but that is partly due to women being more heavily represented in lower-paying industries and occupations than their male peers. They also tend to do less paid work over their lifetimes, as we’ll investigate below, which means they accrue less experience than male peers. For younger workers, the wage gap is more like 89%.<sup>1</sup>



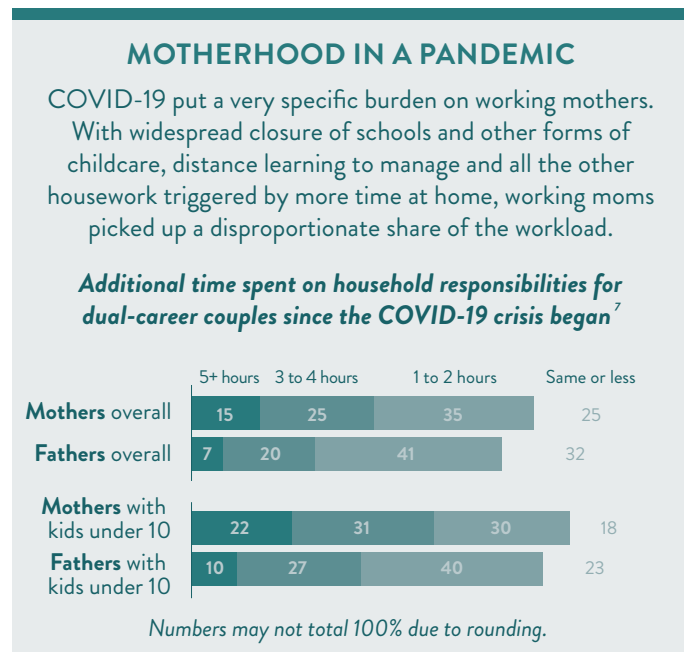
While the wage gap numbers don’t give a true apples-to-apples comparison between a man and a woman with the same experience and education working the same job, the figures still suggest that a difference persists between men and women. Some — but not all — of the difference could be down to negotiating. One large study found that men are more likely to negotiate pay when there is no explicit statement that wages are negotiable — but women are equally likely (or more likely!) to do so when negotiability is advertised.<sup>2</sup>

Meanwhile, a significant portion of the wage gap could be explained by non-pay compensation, aka fringe benefits. A federal review of the wage gap found that women are more likely to seek non-pay benefits than men — flexibility, health insurance and other kinds of family-friendly fringe benefits.<sup>3</sup> When these forms of compensation are accounted for, the wage gap is small or even nonexistent.

### Women Work Fewer Paid Hours

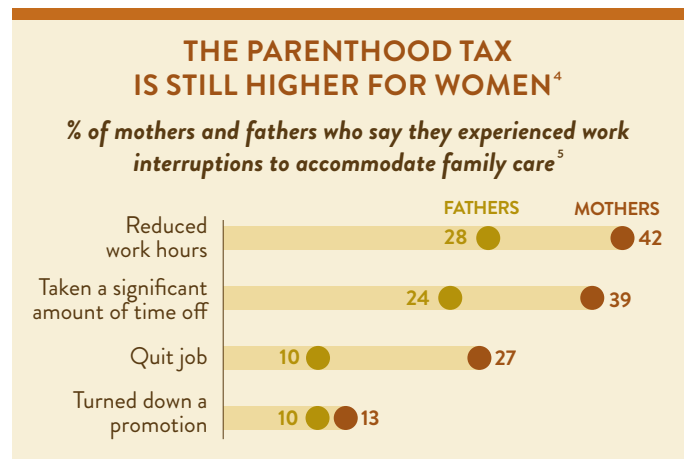
Women also earn less over a lifetime because they are investing more of their time in the unpaid work of family life. They are twice as likely as men to work part-time (26% of women versus 13% of men).<sup>4</sup> They are two to three times more likely to quit a job in order to care for children or other family members.<sup>5</sup> And even when they work full-time outside the home, they still do

more unpaid domestic work. A 2017 analysis found that employed women performed about eight hours more per week of unpaid domestic work than employed men.<sup>6</sup>



### Saving for a Longer Retirement and Income Interruptions

Women live longer, but they also tend to retire a few years earlier than men. With lower lifetime incomes and longer retirement periods, women are 80% more likely than men to live in poverty during their retirement.<sup>8</sup> And because their paid work lives are less likely to be continuous, the savings buffer is even more important. Women especially need that emergency fund to smooth out the bumps in income.



Though the working world has come ever closer to valuing the work of women and men at equal levels, the gaps in women’s wealth remain — and extra savings are a worthwhile source of support. ✨

Source notes on page 6.

# Tackling Women's Education Costs

Paying for education is a prime issue for women. Women have accounted for more than half of college enrollment in the U.S. since the year 2000 — and they've received more than half of college degrees since the early 1980s.<sup>1</sup> (Only about 60% of students who pursue a bachelor's degree go on to graduate.<sup>2</sup>)

On average, women also take on more debt than men to attend college. With more debt and lower lifetime earnings, women take longer than men to repay their student loans — about two years longer.

THE GAPS IN COLLEGE EDUCATION <sup>3</sup>	
About 2 million bachelor's degrees are earned annually in the U.S. <sup>2</sup>	
WOMEN	MEN
57% of bachelor's degrees	43% of bachelor's degrees <sup>1</sup>
Average <b>\$22,000</b> in student loans at graduation	Average <b>\$18,880</b> in student loans at graduation

## How Education Fits Into Financial Decisions

For women with student loans, it's important to think carefully about whether to prioritize paying down debt or investing for the future — both important goals.

For parents or grandparents, there are a couple of ways to consider these trends. First, the burden of student loans can be onerous for the emerging adults in your life who also need to build up some savings and begin investing as they strike out on their own. If you're in a position to give a financial gift earmarked to help them start investing, that could be an incredibly valuable gift. Second, for those planning for a younger child's future, saving early can help with education funds. Fortunately, there are special account types that offer advantages. Several of the most popular are profiled at the bottom of this page.

We are happy to speak with you to offer personal guidance anytime. Give us a call at **800.258.3030, option 2.** ✨

*Homestead Funds does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.*

## Changing Trade School Trends?

Trade, technical and vocational schools are often shorter programs and cost significantly less than four-year colleges — about \$35,000 for a trade school program compared with \$100,000 for a bachelor's degree. Trade schools also boast much higher graduation rates — 98% versus 60% — for students who enroll.<sup>4</sup>

But the pathway is still largely dominated by men. By one estimate, only 10% of all skilled-trade jobs are currently held by women.<sup>5</sup>

However, interest in trade school appears pretty equal across boys and girls in high school.<sup>5</sup> The changing trend seems to be rooted in more interest in renovation and remodeling among girls. With strong job prospects forecast for welding, electric, HVAC and other skilled trades, it might become more popular going forward for girls to pursue skilled-trade careers.

<sup>1</sup> NPR, "New Report Says Women Will Soon Be Majority Of College-Educated U.S. Workers"

<sup>2</sup> EducationData.org, "College Graduation Statistics"

<sup>3</sup> AAUW, "Fast Facts: Women & Student Debt"

<sup>4</sup> Family Handyman, "Trade School vs College: Which is the Right Choice for You?"

<sup>5</sup> Family Handyman, "Why More Women Are Considering Careers in the Trades"

## SAVING FOR EDUCATION

*Looking at what the future holds for a daughter or granddaughter? Saving ahead for education puts time on your side. Here are the kinds of accounts that are best for education savings:*



### Coverdell Education Savings Account (ESA)

A Coverdell ESA is a custodial account established for paying qualified education expenses for the designated beneficiary of the account. Anyone can contribute.



### Uniform Gift/Transfer to Minor Account (UGMA/UTMA)

A UGMA/UTMA is a custodial account invested in the child's name. These accounts can be used for any expense for the benefit of the child. Contributions are irrevocable gifts to the child. Anyone can contribute.



### Traditional and Roth Individual Retirement Account (IRA)

A parent can tap his or her IRA before reaching age 59 ½ and avoid a 10% early-withdrawal penalty if the money is used to pay for qualifying higher education expenses. Examples include: tuition, fees, books and supplies.

# 5 Actions to Power Up Female Finances

Women have different realities when it comes to lifetime income and longevity — and those factors should prompt women to take extra steps to save. But women also have slightly different attitudes about money and investing, and they bring different strengths to the table. Here are five actions to keep women’s wealth on track.


**1 Consider yourself an investor.**  
Men are more likely to say they consider themselves an investor — but how much does that attitude matter?


A lot! That “I’m an investor” attitude also prompts men to invest more in stocks or bonds rather than keeping money in cash. Women tend to have a lower-returning mix in their portfolios. This is such an easy step to fix: Just boost your exposure to stocks and bonds in your retirement portfolios and emergency funds.

	Women	Men
<b>THE INVESTOR QUESTION<sup>1</sup></b> “I consider myself an investor.”	22%	40%
<b>THE PORTFOLIO MIX</b> How much of your portfolio is in low-return cash?	71%	60%

**2 Build up your buffers.**  
Women need to take special care to have the downside protection they need — especially if they have kids or other dependents.

**THE BUFFERS**

 **Save more in an emergency fund.** Make sure to put your savings to work by investing in a mix of stocks and bonds.

 **Consider insurance.** If you have children, term life insurance can be a cost-effective way to protect against the loss of earnings if something happens to either working parent. For a monthly fee, you can elect coverage just until your kids are 18 or so.

**3 Save more in your workplace retirement plan.**  
Women are more likely than men to participate in a workplace retirement plan (51% versus 43%), but there is still that issue of their longer expected retirements.<sup>1</sup>

Bridge the gap by increasing the percentage of your wages that go automatically to your workplace retirement plan. No room to boost your contribution now? If you get a raise, consider splitting it with your 401(k). For example, if it’s a 3% raise, keep 1.5% and bump your 401(k) contribution by 1.5%.

**4 No workplace plan? Match your savings setup to how you work.**  
Because women are so much more likely to stop and start work, work part-time or be out of the paid workforce altogether to juggle their unpaid workloads, they may be less likely to have continuous participation in a workplace plan. If you fit one of these categories, consider the IRA that best suits your situation:

**THE IRA THAT FITS YOUR WORK**

 At-home spouse doing full-time unpaid work?  
**Save in a spousal IRA.**

 Self-employed?  
**Save in a SEP IRA.**

 Employed part-time or full-time without a workplace plan?  
**Save in a traditional or Roth IRA.**

*Read more about your IRA options and GET STARTED WITH AN ACCOUNT TODAY.*  
Visit [www.homesteadfunds.com/iras](http://www.homesteadfunds.com/iras)

**5 Look into refinancing student loans.**  
In a low-interest-rate environment like we have today, be sure to take advantage of opportunities to consolidate or refinance student loans. There are downsides to remember; if you refinance a federal loan, for instance, you forfeit your right to use income-based repayment programs or loan-forgiveness programs for certain occupations.<sup>2</sup> But for most people, those options are not as relevant or attractive as lower interest rates.

Women’s wealth is best served by a realistic view of their lives. These five action items can go a long way to covering the very specific needs that women face in managing their wealth. ✨

**WANT A HELPING HAND?**  
We are happy to talk through the investment options available to you at Homestead anytime. Call us at **800.258.3030, option 2.**

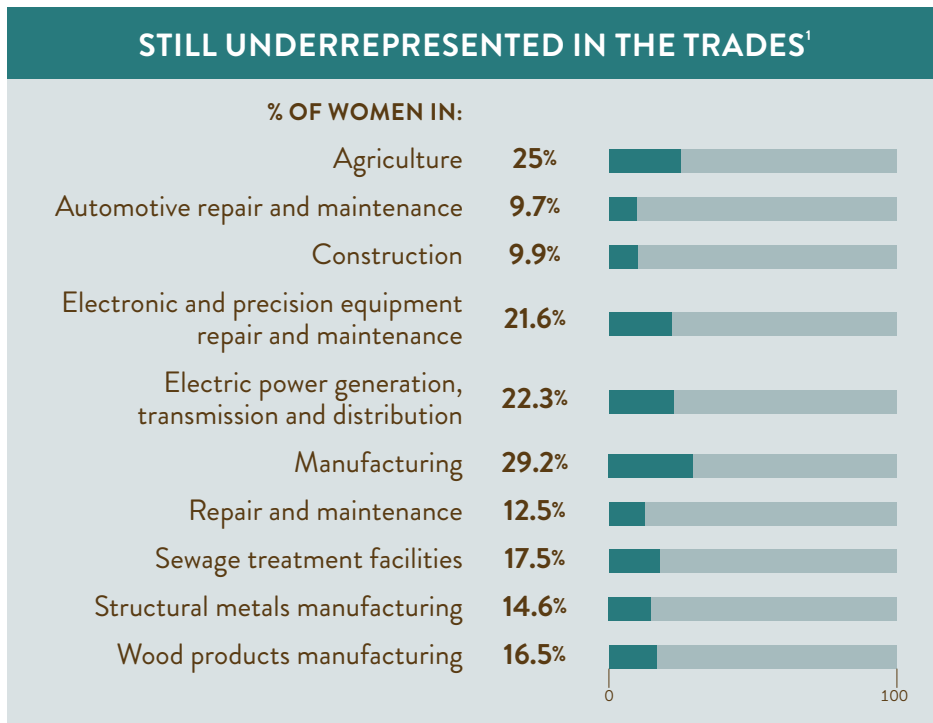
*Homestead Funds does not offer insurance advice. Please consult the appropriate professional regarding your individual circumstance.*

<sup>1</sup> Think Advisor, “BlackRock: women and men look at money, investing differently”  
<sup>2</sup> CNBC, “Consider these pros and cons before refinancing your student loans”



# Women Today Are...

Across their work and financial lives, things are changing drastically for women. Here are a few snapshots of women today:

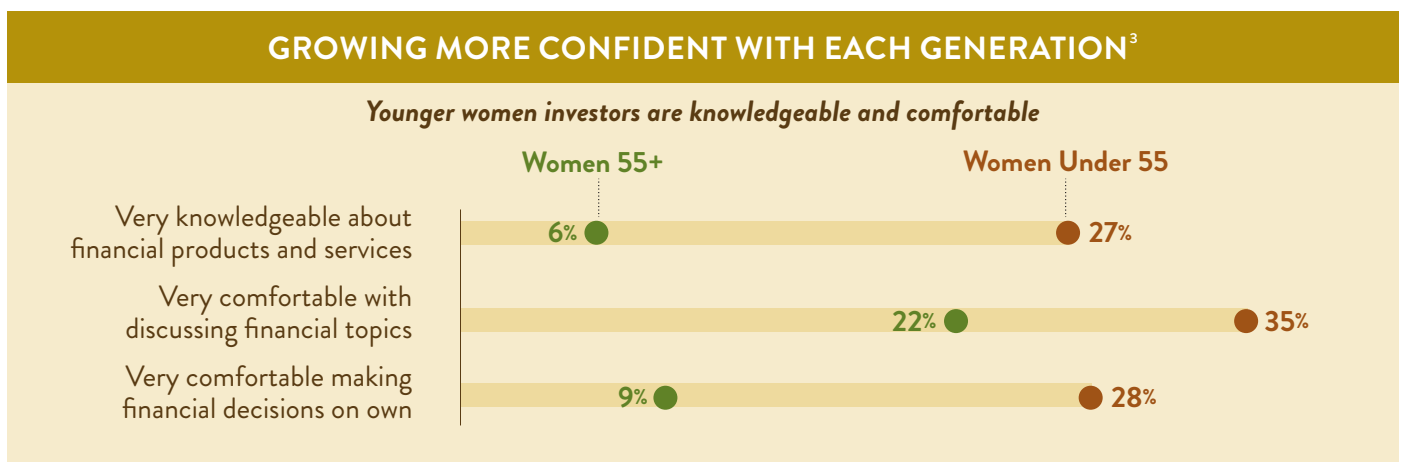


### EQUALLY LIKELY TO BE THE FINANCIAL DECISION-MAKER<sup>2</sup>

Studies find that in married couples, the higher earner — whether male or female — is likely to be the financial decision-maker for both day-to-day budgeting choices and for saving/investment decisions.

### RIISING INTO LEADERSHIP POSITIONS

RE Magazine recently profiled women in leadership roles throughout the electric co-op community, including quite a few women serving as CEO or board chair, or in a range of engineering roles.



<sup>1</sup> WorkWave, “Resources for Women in the Skilled Trades”

<sup>2</sup> American Economic Association, “Who Manages Household Finances in Married and Cohabiting Couples?”

<sup>3</sup> Merrill Lynch, “Seeing the Unseen”

# News Briefs

## Now Open: The Rural America Growth & Income Fund

We are excited to share that our 10th fund, the Rural America Growth & Income Fund, opened to investors on May 3. The fund is committed to investing in the economies and communities of rural America. The fund will employ an active management approach to investing primarily in equity and fixed-income securities of companies that are important to the economic development of rural America.

To learn more about the fund, visit the Our Funds page on [homesteadfunds.com](http://homesteadfunds.com).

## 2021 U.S. Economic Outlook: A Focus on Rural America

As you will see in this most recent report available on [homesteadfunds.com](http://homesteadfunds.com), RE Advisers, the investment manager for Homestead Funds, is forecasting a rebound in economic activity starting around the second quarter of 2021 — a point where we believe that vaccine distribution will have gathered momentum. Very broadly, we see opportunities ahead for a number of sectors, notably information technology, health care, industrials and communication services.



[homesteadfunds.com/2021-Rural-Economic-Outlook](http://homesteadfunds.com/2021-Rural-Economic-Outlook)

## Why Women Need to Save More *continued from page 2*

- <sup>1</sup> Pew Research Center, “The narrowing, but persistent, gender gap in pay”
- <sup>2</sup> National Bureau of Economic Research, “Do Women Avoid Salary Negotiations? Evidence from a large scale field experiment”
- <sup>3</sup> U.S. Department of Labor, “An Analysis of Reasons for the Disparity in Wages Between Men and Women”
- <sup>4</sup> Pew Research Center, “How Pew Research measured the gender pay gap”

- <sup>5</sup> Pew Research Center, “Mothers, more than fathers, experience career interruptions”
- <sup>6</sup> Survey of Current Business, “Accounting for Household Production in the National Accounts”
- <sup>7</sup> McKinsey, “The Pandemic’s Gender Effect”
- <sup>8</sup> The New York Times, “Women Outlive Men. Why Do They Retire Earlier?”

Debt securities are subject to interest rate risk, credit risk, extension risk, income risk, issuer risk and market risk. The value of U.S. government securities can decrease due to changes in interest rates or changes to the financial condition or credit rating of the U.S. government. Investments in asset-backed and mortgage-backed securities are also subject to prepayment risk as well as increased susceptibility to adverse economic developments. High-yield, lower-rated, securities involve greater risk than higher-rated securities. Loans are subject to risks involving the enforceability of security interests and loan transactions, inadequate collateral, liabilities relating to collateral securing obligations and the liquidity of the loans. Equity securities generally have greater price volatility than fixed-income securities and are subject to issuer risk and market risk.

## Investing in mutual funds involves risk, including the possible loss of principal. Past performance does not guarantee future results.

Investors should carefully consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. To obtain a prospectus, call 800.258.3030 or visit [homesteadfunds.com](http://homesteadfunds.com).

The views expressed are those of the individuals as of May 4, 2021, and may have changed since that date. The opinions stated may contain forward-looking statements and may discuss the impact of domestic and foreign markets, industry and economic trends, and governmental regulations of the funds and their holdings. Such statements are subject to uncertainty, and the impact on the funds might be materially different from what is described here.

Homestead Funds’ investment advisor and/or administrator, RE Advisers Corporation, and distributor, RE Investment Corporation, are indirect wholly owned subsidiaries of NRECA. RE Investment Corporation, Distributor 6/21

HRZNNEWS

**PHOTO CREDITS: PAGE 1:** TOP PHOTO © ISTOCK/PIXDELUXE. WHY WOMEN NEED TO SAVE MORE GRAPHIC © ISTOCK/MAYRUM. **PAGE 3 ICONS:** COVERDELL EDUCATION SAVINGS ACCOUNT AND. UGMA/UTMA © ISTOCK/ETRAVELER. TRADITIONAL AND ROTH INDIVIDUAL RETIREMENT ACCOUNT © ISTOCK/RLT\_IMAGES. **PAGE 4 ICONS:** SPOUSAL IRA © ISTOCK/ETRAVELER. SEP IRA © ISTOCK/SEAMARTINI. TRADITIONAL OR ROTH IRA © ISTOCK/IRYNA\_ALEKSEENKO. EMERGENCY FUND © ISTOCK/UNDEFINED UNDEFINED. TERM-LIFE INSURANCE © ISTOCK/MYKYTA\_DOLMATOV. **PAGE 5:** FINANCIAL DECISIONMAKER ICON © ISTOCK/ALEXANDR\_MAKAROV. LEADERSHIP POSITIONS ICON © ISTOCK/ELENABS.