LGBTQIA+ EMPLOYEES LACK THE PERSONALIZED SUPPORT THEY NEED TO SUCCEED

Examining the financial challenges and opportunities facing this underserved community

Edelman Financial Engines (EFE) is committed to better understanding the unique needs across demographics to best serve all employees, especially those underserved communities. EFE's goal is to ensure we continually dive deep into the drivers, challenges and needs across populations. This report is the latest in our collection of research.

LGBTQIA+ employees share many of the same financial needs, hurdles, and desires as the majority of Americans. However, they confront more unique challenges than their heterosexual and cisgender colleagues. Research from the Census Bureau and the Federal Reserve makes it clear that LGBTQIA+ employees face more adverse financial circumstances than the general population.[1]

+ LGBTQ+ adults have lower and **less stable household incomes**.
    - In 2022, 22% of LGBTQIA+ adults had household **incomes of less than $25,000** versus 14% of non-LGBTQIA+ adults.
    - LGBTQIA+ adults were also **less likely** than non-LGBTQIA+ adults to have household **incomes of $100,000 or more** (23% versus 31%).
+ Data from 2013-2019 shows female same-sex couples had about $82,000 in median wealth, **less than half the median wealth of mixed-sex couples**.
+ **Fewer than half of LGBTQ+ adults (44%) were homeowners** in 2021, compared with over two-thirds (68%) of non-LGBTQ+ adults.

With this in mind, we set out to explore the unique stories and needs of the LGBTQIA+ community through extensive quantitative and qualitative research, with a focus on the ways employers can better support them on their individual journeys. Our findings are based on an online survey of 2,000 full-time-employed men, women, and gender expansive individuals, ages 25-64, who identify as LGBTQIA+ and heterosexual/cisgender with a mix of race, ethnicity and gender by census, as well as interviews with more than 25 men, women, and gender expansive individuals from across the United States, who identify as LGBTQIA+.

KEY TAKEAWAYS:

LGBTQIA+ employees are much more likely than the general population to have experienced financial instability in adulthood, with 75% of LGBTQIA+ respondents reporting being financially unstable at some point in their adult lives compared to only 62% of heterosexual and cisgender individuals.

LGBTQIA+ respondents have a greater desire to retire early as compared to their heterosexual and cisgender peers, with 1 in 5 LGBTQIA+ employees wanting to retire between 50-55.

LGBTQIA+ employees stress the importance of finding and working with a financial advisor who understands their gender identity, sexual identity, and unique needs. 50% of LGBTQIA+ respondents say it's very or extremely important that their financial advisor understands their gender and sexual identity vs. just 30% of heterosexual and cisgender respondents.

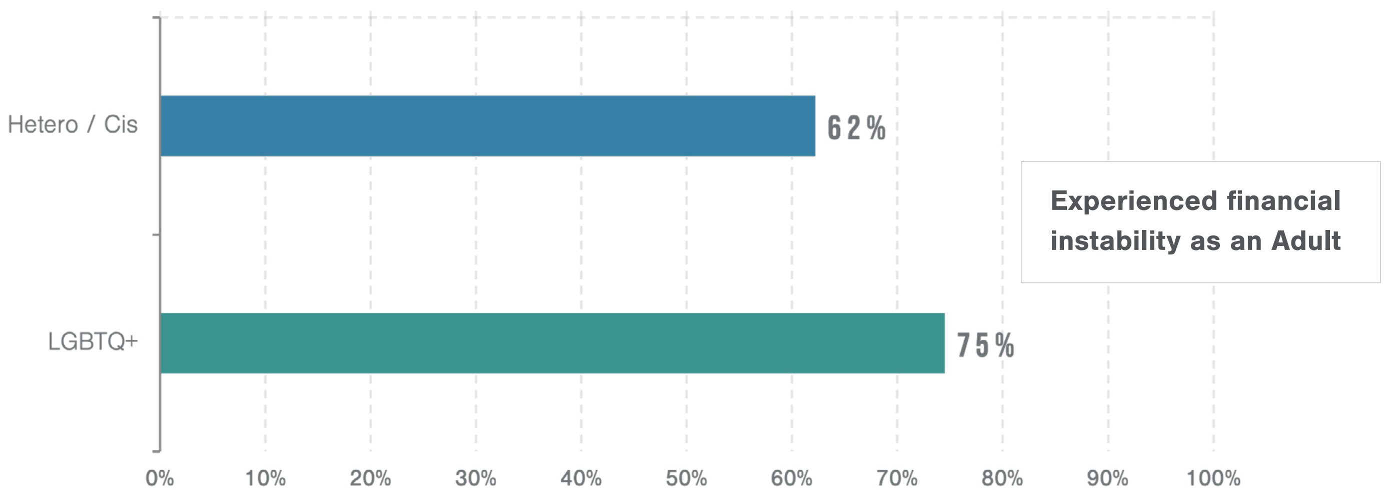
Among those who already have sought financial advice, *LGBTQIA+ respondents are twice as likely (52% to 24%) than heterosexual and cisgender individuals to report having not been taken seriously by finance professionals due to their gender, sexual orientation, or race. They are also more than twice as likely to say they have felt ignored by finance professionals (47% vs. 19%).*

LGBTQIA+ EMPLOYEES EXPERIENCE HIGHER LEVELS OF FINANCIAL INSTABILITY AND LOWER LEVELS OF FINANCIAL CONFIDENCE

> “[Finances are] not something that I thought of myself as very good at managing and good at being aware of. Who I was in my early twenties when I wasn’t very good at managing money, and where I built those ideas about myself is not who I am today. Trying to reframe that understanding is taking some work. I don’t know what I’m doing all of the time, but it’s certainly a work in progress.”
>
> *Tucker, 30s*

Our research shows LGBTQIA+ employees are much more likely than the general population to have experienced financial instability in adulthood.

75% of LGBTQIA+ respondents report being financially unstable at some point in their adult lives compared to only 62% of heterosexual and cisgender individuals.



#1 LGBTQIA+ respondents report **credit card or other debt** as the #1 factor impacting stability, followed by limited income / employment opportunities and a lack of financial knowledge.

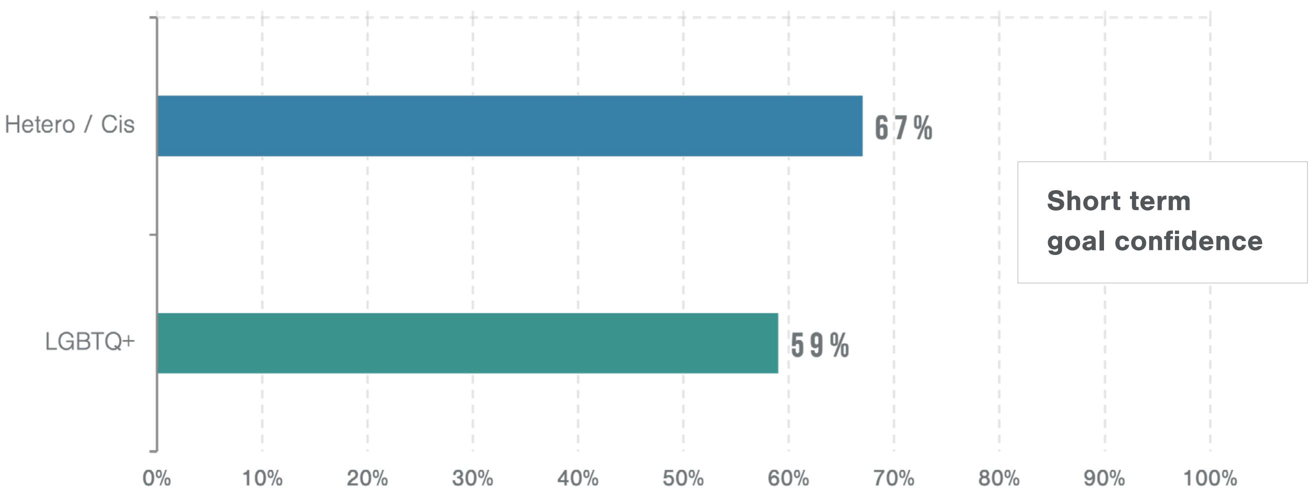
SOME OF THE REASONS FOR THIS INSTABILITY MAY INCLUDE:

+ Limited job opportunities due to discrimination (this can be especially true for the trans community and those living in politically conservative parts of the country).
+ Being less likely to earn money at the level of their hetero/cis peers, causing them to be more reliant on credit cards and other forms of debt to cover basic living expenses.

LGBTQIA+ employees' financial instability carries over to confidence levels. LGBTQIA+ respondents are less likely than their heterosexual and cisgender colleagues to feel very confident or confident in their ability to achieve both short and long-term savings goals.

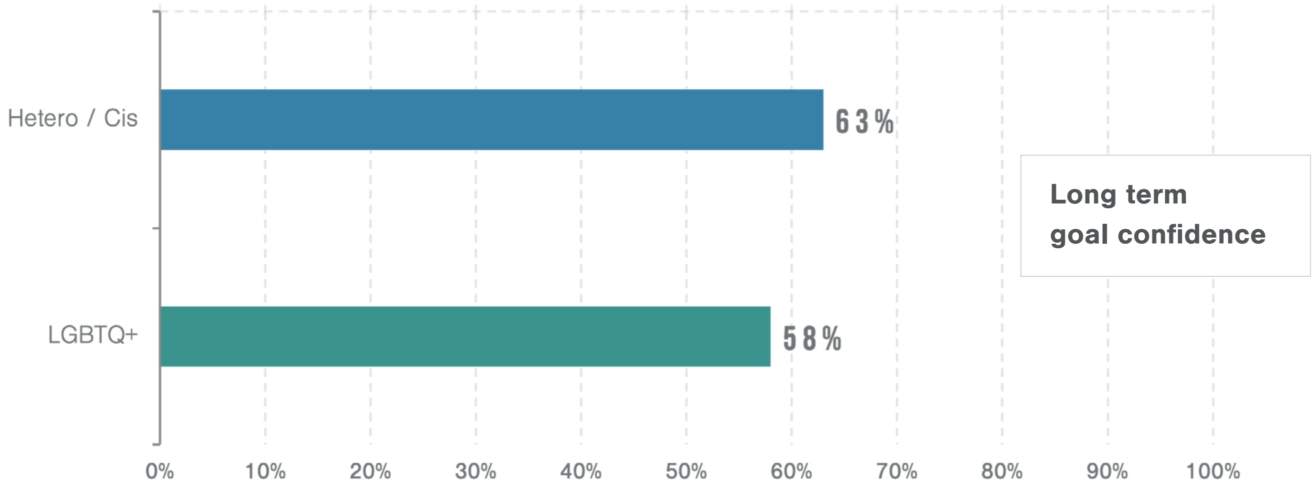
Short Term Confidence

59% of LGBTQIA+ respondents are confident or very confident compared to 67% of hetero/cis respondents.



Long Term Confidence

58% of LGBTQIA+ employees are confident or very confident compared to 63% hetero/cis employees.



LGBTQIA+ employees also tend to be slightly less confident than their heterosexual and cisgender peers when it comes to their ability to earn money and manage personal finances and investments.

60% of LGBTQIA+ respondents feel very confident or confident about themselves and the direction their lives are heading in compared to 63% of heterosexual and cisgender respondents.

45% of LGBTQIA+ respondents feel very confident or confident with regards to financial planning and investments, lagging behind the 50% of heterosexual and cisgender respondents.

PLANNING FOR RETIREMENT IS A PRIORITY FOR LGBTQIA+ EMPLOYEES

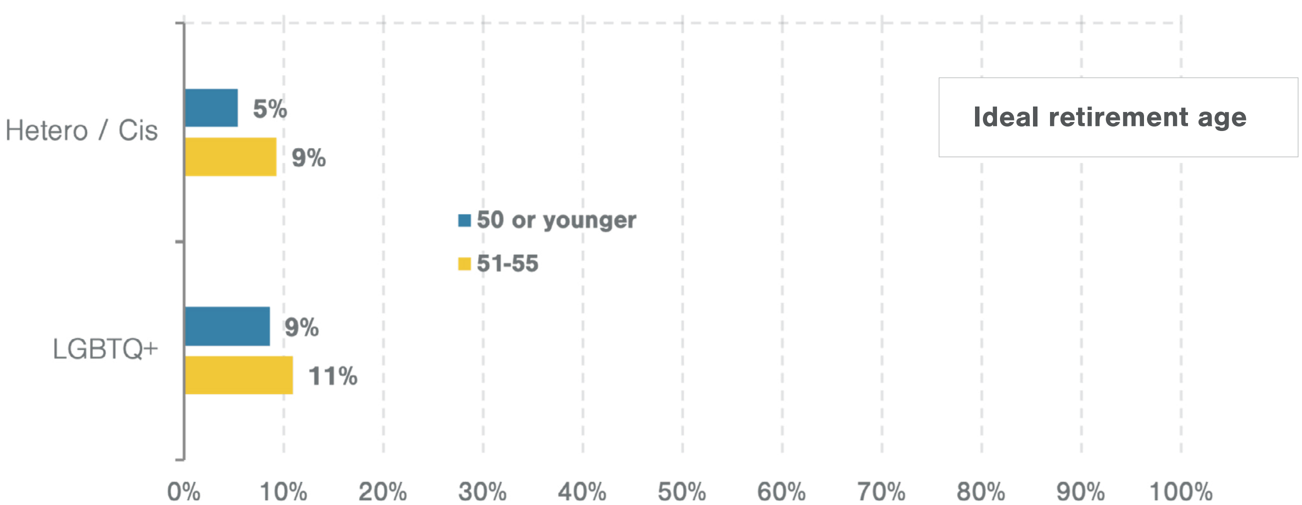
I always envisioned retiring between the ages of 50 and 55, it's part of the advantage of having no kids. That was something I'd set out when I was 19 or 20. I would definitely keep [working] part time, even if it's a way to get insurance, which is probably our biggest concern."

Todd, 40s

Much like their heterosexual and cisgender peers, LGBTQIA+ employees make planning for retirement a priority, with a few notable differences.

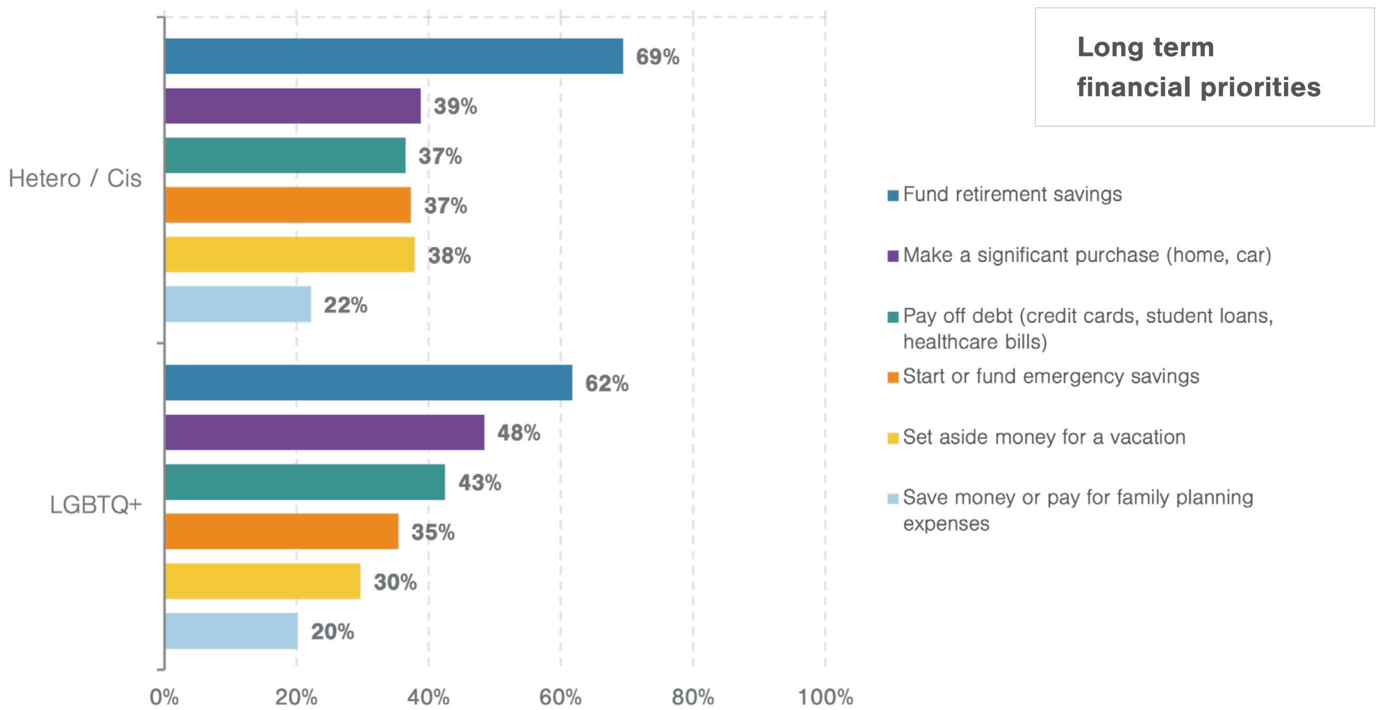
LGBTQIA+ respondents have a greater desire to retire early as compared to heterosexual and cisgender respondents. 20% of LGBTQIA+ respondents hope to retire at 50-55 years old compared to 14% of those who are heterosexual and cisgender.

20% vs 14%

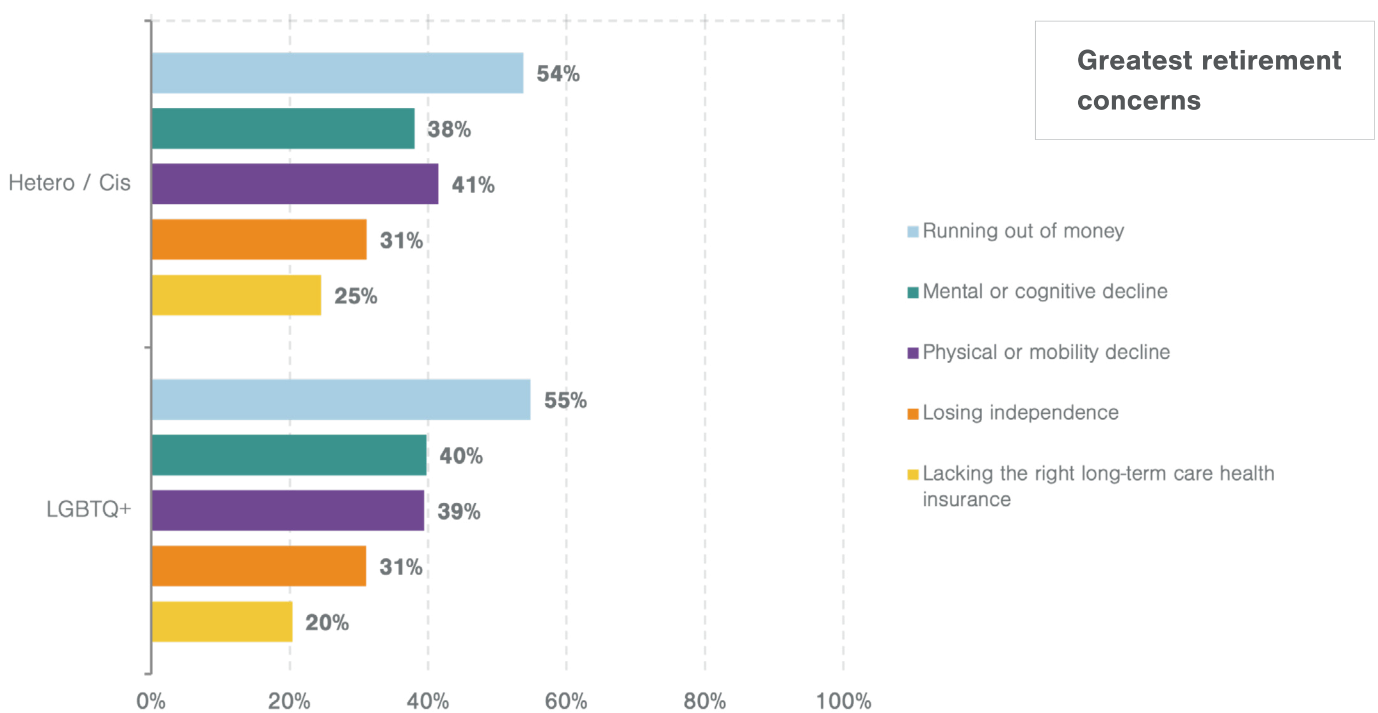


#1 Funding retirement savings is the #1 long-term financial priority for both LGBTQIA+ and heterosexual/cisgender respondents, though the latter are more oriented around building their nest eggs.

Retirement savings is the #1 long term financial priority for 62% of LGBTQIA+ employees and 69% of hetero/cis employees.



Retirement concerns are largely the same between LGBTQIA+ and heterosexual and cisgender respondents, with running out of money being the greatest fear across audiences.



THE IMPORTANCE OF "SOMEONE LIKE ME" IN WORKING WITH FINANCIAL PROFESSIONALS

"We're a household with two women and when women generally earn less money, and when Black women earn less money...someone needs to understand how that factors into our planning. They need to be realistic about our earning power."

Jane, 30s

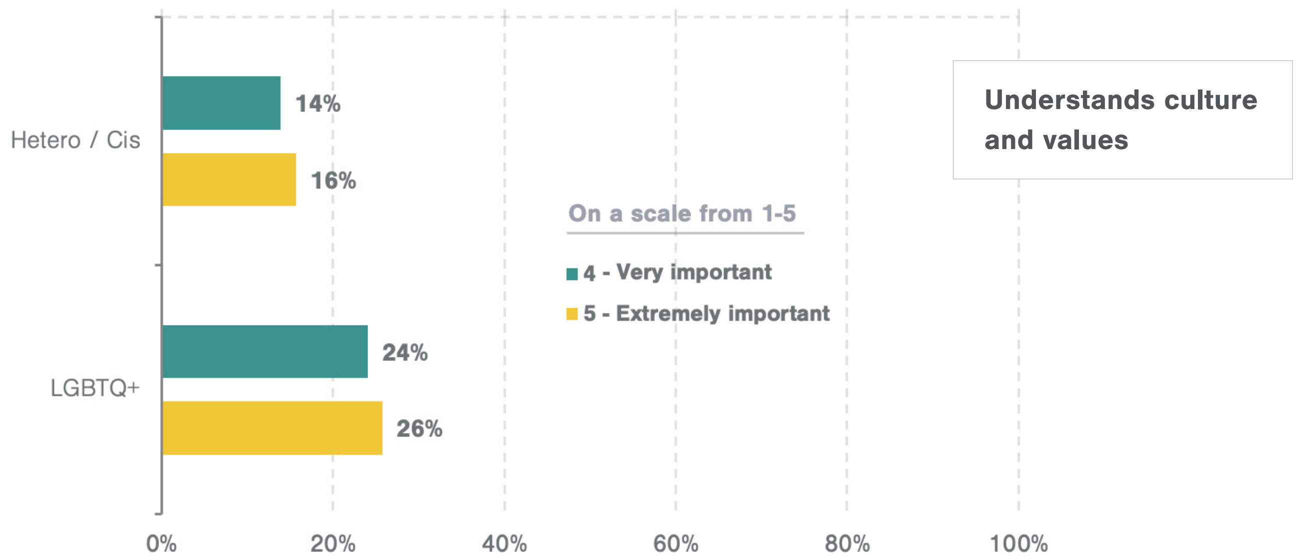
"I know that there are a lot of people who may seem like they're cool about [me being gay], but they're not and I've had to deal with that my whole life. I don't want someone who is going to make me feel like I'm an 'other'. I want someone who is going to feel like they are comfortable working with me."

Craig, 50s

When it comes to working with financial professionals, Edelman Financial Engines' prior research showed employees belonging to traditionally underserved groups overwhelmingly prefer to work with someone from a similar background. 91% of Black or African American employees and 89% of Hispanic employees prefer working with financial advisors that share common ground.[2] Additionally, women of color are nearly twice as likely as white women to say it's extremely important that their financial planner understand their values and culture.[3]

Those in the LGBTQIA+ community are also, not surprisingly, strong proponents of working with "someone like me". They want clear indicators that the planner they're working with is LGBTQIA+ knowledgeable and affirming.

50% of LGBTQIA+ respondents say it's very or extremely important that their financial advisor understands their gender and sexual identity vs. just 30% of heterosexual and cisgender respondents.



Working with an LGBTQIA+ affirming planner is a must for LGBTQIA+ employees seeking professional advice. LGBTQIA+ clients want to be greeted with overt signals of inclusivity and fluency to ease concerns and filter out the noise.

Among those LGBTQIA+ respondents who already have worked with financial professionals, many have reported that they don't always feel embraced by them. **LGBTQIA+ respondents are twice as likely than heterosexual and cisgender individuals to report having not been taken seriously by finance professionals due to their gender, sexual orientation, or race.**

52% to 24%

LGBTQIA+ respondents are also more than twice as likely as heterosexual and cisgender individuals to say they have felt ignored by finance professionals.

47% to 19%

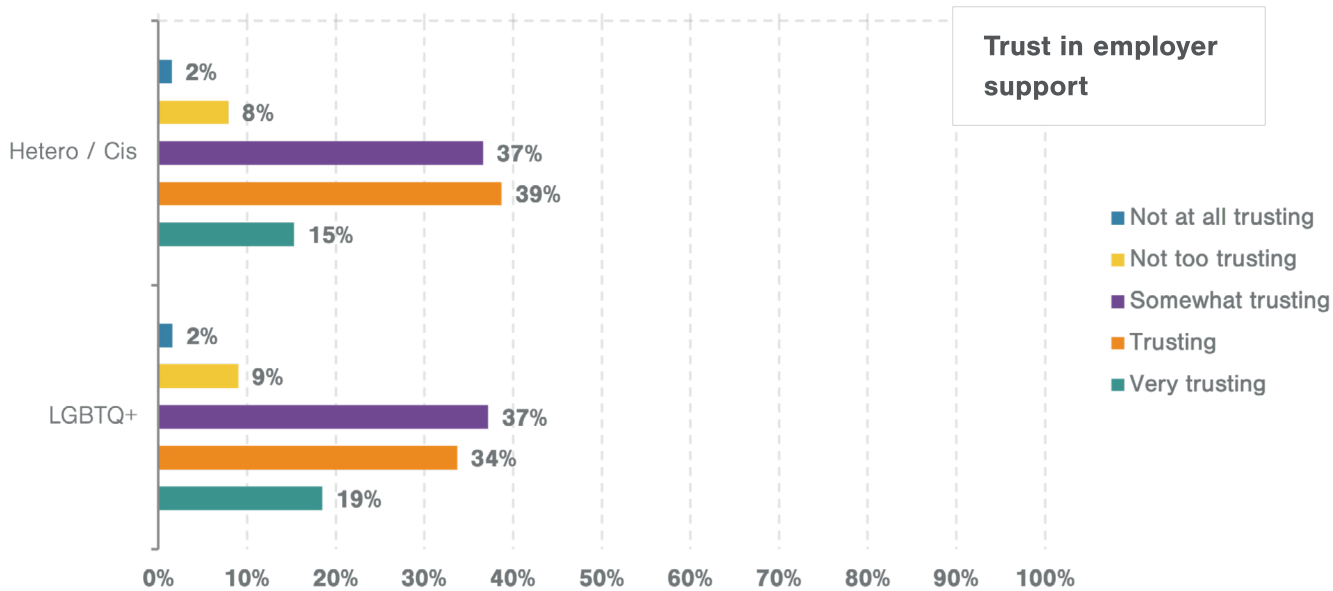
52% of LGBTQIA+ respondents under the age of 40 have felt ignored by finance professionals compared to 34% of those over the age of 40.

LGBTQIA+ WELCOME FINANCIAL ADVICE BENEFITS FROM THEIR EMPLOYERS

> "I found [my advisor] through my job and I've been working with the same person ever since. I've learned so much about annuities, about death benefits, borrowing against your insurance policy, there's so much out there that I didn't know in the beginning. They even refer books for me to get more information, so we've developed a very good relationship."
>
> *Marjorie, 40s*

While LGBTQIA+ employees are more likely than their heterosexual/cisgender colleagues to feel ignored by financial professionals, the majority of both groups share a trust in their employer when it comes to financial advice. **LGBTQIA+ and heterosexual and cisgender respondents are similarly very trusting or trusting of financial planning information and support from their employers.**

53% to 54%



Employers may be able to serve a unique impactful role for their LGBTQIA+ employees. Employers can not only offer them access to financial advice, but they can offer them access to advice where they won't be ignored or judged.

Additionally, LGBTQIA+ employees are slightly more likely than heterosexual and cisgender respondents to say their employer offers financial education.

42% **of LGBTQIA+ respondents have access to professional financial advice and guidance through their employer.**

Many have access to some workplace resources but would like even more opportunities to connect one on one with advisors who can help them devise a plan and a path to achieve it, tools for self-education, and opportunities for knowledge building. The top three requests for employer support from LGBTQIA+ employees include providing greater access to financial advisors, providing access to credible tools and resources for self-education, and to create more opportunities for knowledge building to learn about managing money and budget planning.

SUMMARY:

Our research shows that while LGBTQIA+ employees' basic financial needs and desires reflect those of many Americans, they confront more unique challenges than their heterosexual and cisgender colleagues. LGBTQIA+ employees have higher levers of financial instability and lower levels of financial confidence than their heterosexual/cisgender peers. They also face more hurdles in being taken seriously by financial professionals.

That said, LGBTQIA+ employees are also open to and trusting of support from their employers on this front. This gives employers a unique opportunity to better connect with their LGBTQIA+ employees. Employers who offer more tailored solutions to their LGBTQIA+ employees can help create a more financially independent and prosperous workforce. This in turn can increase trust between employees and their employers, improving satisfaction and reducing turnover.

Edelman Financial Engines offers personalized financial solutions for employees at every stage of life and of every demographic group, supporting workers' everyday financial wellness and helping every employee achieve their financial goals. Contact us to learn more about our workplace financial solutions and how we can help you foster a more equitable environment for your diverse employees.

About Edelman Financial Engines

Since 1986, Edelman Financial Engines has been committed to always acting in the best interests of our clients. We were founded on the belief that all investors deserve access to personal, integrated financial planning and investment advice. Today, we are America's top independent financial planning and investment advisory firm, recognized by Barron's,[1] with 145+ offices across the country and entrusted by more than 1.3 million clients to manage more than $246 billion in assets.[2] Our unique approach to serving clients combines our advanced methodology and proprietary technology with the attention of a dedicated personal financial planner. Every client's situation and goals are unique, and the powerful fusion of high-tech and high-touch allows Edelman Financial Engines to deliver the personal plan and financial confidence that everyone deserves. For more information, please visit EdelmanFinancialEngines.com.

[1] The Barron's 2022 Top 100 RIA Firms list, a ranking of independent advisory firms, is qualitative and quantitative, including assets managed by the firms, technology spending, staff diversity, succession planning and other metrics. Firms elect to participate but do not pay to be included in the ranking. Ranking awarded each September based on data within a 12-month period. Compensation is paid for use and distribution of the rating. Investor experience and returns are not considered. The 2018 ranking refers to Edelman Financial Services, LLC, which combined its advisory business in its entirety with Financial Engines Advisors L.L.C. in November 2018. For the same survey, FEA received a precombination ranking of 12th.

[2] Firm stats as of March 31, 2023

References

[1] Data via: Census Bureau's Household Pulse Survey (HPS), the Federal Reserve Board's Survey of Household Economics and Decision making (SHED) and the Survey of Consumer Finances (SCF).

[2] Representation matters when employees consider financial benefits, Edelman Financial Engines, 2022

[3] Women of color & wealth: striving to create a new financial future.