Testimony for the House Committee on Financial Services: The Subcommittee on Diversity and Inclusion hearing entitled, “Examining the Racial and Gender Wealth Gap in America.”

Madam Chairwoman, Ranking Members and Members of the Committee, thank you for the invitation to testify today on the state of the racial and gender wealth divide in America.

I have worked for three decades in the financial services — and most particularly in the investing — industry. I have been a research analyst, the CEO of Merrill Lynch Wealth Management, the CEO of Smith Barney and am now the CEO and Co-Founder of Ellevest, an investing platform for women....or, more accurately, an intentionally inclusive investing platform, built to close the “gender investing gap,” by addressing what has been missing for women from the investing industry.

My passion around this topic was the result, several years ago, of a recognition that the retirement savings shortfall in this country will disproportionately impact women. That’s because women live 6–8 years longer than men, and close to 75% of women will die single. Women today retire with 2/3s the money of men, less if they are women of color. If we as a whole do not have enough savings to support our retirements, this disproportionately falls on the shoulders of women.

This “wealth gap” is the result of numerous factors: there is the gender and racial pay gap, the “pink tax,” the debt gap, the promotion gap, the domestic work gap. Add to those the gender investing gap, in which women keep 71 cents out of every dollar in cash — more than men do — thereby missing out on the returns that a diversified investment portfolio has historically provided.

As a society — and certainly in my old industry of Wall Street — we have “blamed” women for this shortfall: we tend to believe that “women are risk averse and so do not invest as much as men do;” “men are better investors than women;” “men are better at math — and math-like things like investing — than women;” “women need more financial education in order to invest.” But all of those excuses fall away under research or closer examination (except that all genders could certainly use more financial education).

Instead, I would argue that this gender investing gap is the result of a few inter-related issues: The first: In our society, still today, the genders receive different messages about money, from childhood through adulthood, and so internalize different beliefs about, and approaches to, money.

As children, still today, boys are taught to be brave, while girls are taught to be more well-behaved (or perfect, as my friend Reshma Saujani has written). Still today, boys at told they should make money, grow money, pursue money, while girls are told they should be careful with money, save money, budget money. Still, today, boys see dad invest, while girls see mom budget (in just 2% of US households does the mom take the lead in investing). And still today, boys receive better grades in math at schools than girls do....for the same answers.

As they grow, young women are, dare I say, patronized about money. Articles in women's magazines and websites message to her things like financial planning is "really, really hard" and "the real reason you can't stick to a budget isn't because you have expensive taste." In fact, one study found that women were called "excessive spenders" in 65% of articles studied, with advice to coupon to save money. (Men's articles used words like "daring," "invest," and "spend" to achieve "power.") While men are the prime audience for the Bloomberg TVs, more female-focused money revolves around "take this quiz to see your money type;" and entire books are written to guilt her into "not buying the latte" (or not buy the shoes or not enjoy the manicure)....with the off-base premise that giving up these small luxuries will be the key to her financial security. (Newflash: that math simply doesn't work, and it just serves to increase her sense of failure around money.)

The result is that women can internalize that we are not good with money; indeed, in our society today, it can still be considered an attractive female characteristic to be "bad with money."

Is it any wonder then that women are less confident around money than men are? And that money for so many women is associated with loneliness and stress and isolation?

The second issue relates to our representation in the money industries.

Perhaps it is no surprise that — in a society in which we have all been socialized that women are not as good at money — we women are under-represented in our money industries. And not by a little, by a lot:

Today, 86% of Financial Advisors are men.
Today, 90% of Wall Street traders are men.
Today, 90% of mutual fund managers are men.
And, today, 98% of mutual fund assets are managed by men.
Lest one miss the point of the maleness of the business, the industry symbol is a bull. A big, snorting, angry, anatomically correct, hyper-masculine bull.

Perhaps surprisingly, with all of the attention being given to diversity in corporate America, diversity on Wall Street hasn't been meaningfully improving. Instead, it actually went backwards in the years after the financial crisis, even as research shows that women are as good (in some case, better) investors than men, and even as research points to the superior performance of companies with diverse leadership teams....including lower risk. (One would have thought reducing risk in this systemically important industry after the financial crisis would have been a sufficient motivator for management teams, boards of directors and regulators to work harder to increase diversity.)

Given this skew, it should perhaps be no surprise that women today invest less than men do.

I would note that this Wall Street phenomenon is echoed in another money industry, Silicon Valley. There, men make up 91% of decision makers, and women CEOs receive just 2% of venture funding; for women of color, this amount rounds to zero. This “gender funding gap” is, again, despite findings that women-run start-ups can be more successful on average than their all-male counterparts.

Getting more money in the hands of women — and others for whom the existing money industries haven’t worked — is why we founded Ellevest. We have conducted thousands of hours of research with women, to build a platform that accepts them, rather than tries to shame them or change them. We have built an investing algorithm that works to remove gender bias where possible, by building investment plans and portfolios that recognize that women live longer than men and that, for a variety of reasons, our salaries tend to peak sooner. And we work to be as approachable as possible, having very low investing minimums, as high minimums by their nature are sexist and racist.

We have had early success. The venture capital investments to start our business have come from individuals and institutions like Melinda Gates’ Pivotal Ventures, Rethink Impact (a gender-lens, impact-based fund), Penny Pritzker’s PSP Capital, Aspect Ventures, Gingerbread Capital and even Venus Williams, all women-run. We also have funding from corporate venture arms of companies that have worked to close their gender pay gaps, like Salesforce, Paypal and Mastercard.

Today, we are among the most quickly growing of the new wave of digitally enabled investing platforms, and we are engaging more and more women with their money, in a positive, non-patronizing way.

A final thought: this is an important issue with ripple effects that are not immediately clear. As we sit here in a country that has grappled with the #MeToo moment and its implications, we should recognize that the power inequity that allowed the harassment of so many women is also a money inequity. The individuals who have suffered through this can be ones who believe they cannot afford to walk away or remove themselves from the situations. While money certainly doesn’t solve everything, I like to say that the amount of money that women historically could have earned from investing at men’s levels is “No More #MeToo” money, “Get your hand off my leg” money, “Leave the job I hate” money; it’s also “Live the life I want” money and “Make a better life for my family” money.

Today so many women’s primary emotions around money are shame and loneliness. Our research indicates that a key driver of women’s confidence in achieving their future goals is whether they are actively investing and saving. So, in our view, what Ellevest is doing is about so much more than simply investment returns, but is about changing lives.