

---

# Women and Investing

The strengths of women investors



**Tracie McMillion, CFA**  
Head of Global Asset Allocation Strategy

**Veronica Willis**  
Global Investment Strategist

**Michelle Wan, CFA**  
Investment Strategy Analyst

Investment and Insurance Products: • NOT FDIC Insured • NO Bank Guarantee • MAY Lose Value



# Overcoming obstacles and building on strengths

## Strengths and challenges faced by women investors | page 3

Women investors are increasingly taking on important roles in managing their family's finances. Recognizing women's unique challenges and strengths when it comes to investing can help in preparing for retirement and achieving long-term financial goals.

## The gap in retirement savings | page 6

Studies have shown that women have saved less for retirement than men, which likely stems from the wage gap, women's increased likelihood of taking an extended career break, and a tendency to favor more conservative investment options.

## How women invest | page 8

Women tend to follow proven investment practices, such as creating an investment plan and working closely with an investment professional. Women's disciplined approach and willingness to learn benefited returns in the long run.<sup>5</sup>

## Perception meets reality | page 9

Women tend to be risk-averse. However, the risks women take are productive, as women's returns lead men's when adjusted for risk.<sup>2</sup>

## Keys to becoming a better investor | page 10

We think two keys to becoming a better investor are to know yourself and to familiarize yourself with a few important investment concepts. Sticking with an appropriate asset allocation plan benefits investors in the long run.

## What you can do now | page 12

- Learn more about budgeting, saving, and investing.
- Set investment goals and research options.
- Act by developing, implementing, and monitoring your investment plan.



# Understanding the strengths of women investors

Women comprise more than half of the U.S. population,<sup>1</sup> but no two women are the same when it comes to managing their money. When we surveyed investors, women were optimistic about their ability to achieve short- and long-term investment goals and have become increasingly assured that the stock market is a good place to invest. We also found that women investors are more likely to work with an investment professional and more inclined to stick to their investment plan.<sup>2</sup>

At some point in their lives, most women likely will be in charge of their family's finances.<sup>3</sup> Women have increasingly become the sole or primary breadwinners for their families and often take a leading role in educating the next generation in financial matters. This report explores new trends in how women approach investing and offers guidance on how women can take advantage of their strengths as they pursue long-term financial goals.



**Nine out of ten** women eventually will take charge of their family's wealth.

**44%** of U.S. ultra-high-net-worth individuals are women.

**41%** of women are their family's breadwinner or co-breadwinner.

Women control more than **\$10 trillion** of U.S. personal wealth.

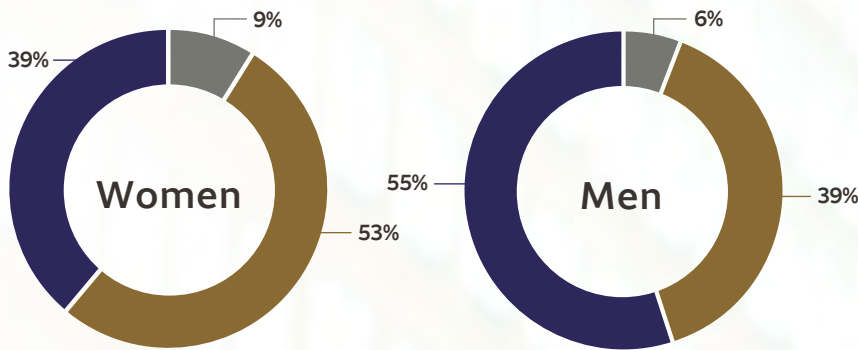
Women are expected to represent a **\$30 trillion** wealth management opportunity by 2030.

## Sources:

"Women's Quick Facts: Compelling Data on Why Women Matter," STEMconnector®, November 2016; Statista Research Department, 2021. "Women as the next wave of growth in US wealth management," McKinsey & Company, July 2020. Ultra-high-net-worth individuals are defined as individuals with a net worth of 30 million U.S. dollars or more; Center for American Progress analysis of data from the U.S. Census Bureau, 2019; New York Life Investment Management, 2020.



## Women often invest more conservatively



- **More conservative**  
Willing to take no risk at all in the hopes of generating higher returns
- **Moderate**  
Willing to take only a little risk in the hopes of generating higher returns
- **More aggressive**  
Willing to take a lot of risk in the hopes of generating higher returns

Source: Wells Fargo/Gallup Investor and Retirement Optimism Index, February 2021.

Due to rounding, values may not add to 100%.



# Women and men may face different challenges

Studies reveal that women have smaller nest eggs when compared with men of similar age and income. There are several reasons why this may be the case. In our survey, women tended to invest more conservatively than men.<sup>2</sup> Having a portfolio that is too conservatively invested may lead to underfunded goals. In fact, a 2022 study by Vanguard indicated that women have a median 401(k) account balance of about \$14,000 less than that of men.<sup>4</sup>

Fidelity's gender gap and retirement study showed that more than half of women hold at least \$20,000 in cash and more than one-third of women hold at least \$50,000.<sup>5</sup> Holding such large sums in cash rather than investing in longer-term assets is likely to result in lower portfolio returns over time.

Additionally, because women, on average, earn less per dollar than men and they often report taking time off from work to care for others, they can fall behind financially. With careful planning and appropriate investment allocations, we believe women can be prepared to reach their financial goals.

**Five years** — the amount of time that women outlive men, on average. That's five more years of living expenses that women may need beyond the needs of men.

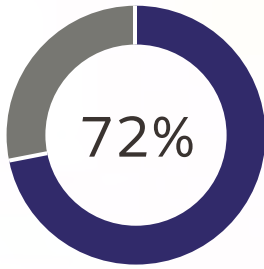
Women earn **\$0.83** on the dollar compared with men.

Sources:  
World Health Organization, 2020; Bureau of Labor Statistics, 2022.

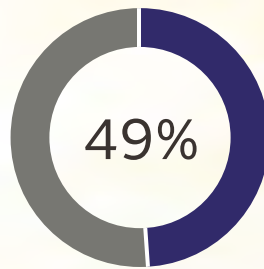


## What women say about their finances

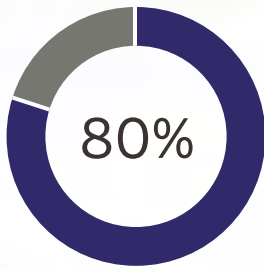
In a 2021 survey, women indicated that they are less confident in fully funding their retirement, with just 20% of women highly confident they will have enough money to maintain their lifestyle in retirement compared with 25% of men.



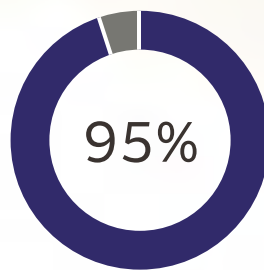
72% of women believe that the stock market is a good place to grow their retirement savings, while over 76% of men believe so.



49% of women have a written plan for finances and retirement compared with 44% of men.



Four out of five affluent women take time to analyze and evaluate before deciding on a course of action.



95% of affluent women see themselves as resilient in times of uncertainty.



Sources:  
Wells Fargo/Gallup Investors and Retirement Optimism Index, February 2021; Wells Fargo Survey of Affluent Women, March 2021.

# The gap in retirement savings

Men and women cite differences in their anticipated source of retirement income, with more men than women expecting rental income or expecting to own a business to support their finances in retirement. Meanwhile, more women than men expect an inheritance to help fund their retirement. While men and women differ in their expectations for retirement income, about half of both genders agree that Social Security will be a minor source of retirement income or not a source at all.<sup>2</sup>

Starting to save for retirement as early as possible is crucial for investors who desire to fully fund their retirement without other sources. However, women investors can be at a disadvantage if they are not able to contribute as much due to a lower starting salary. With a 17% salary gap, on average, a woman would need to save about 20% more to break even. Doing so, however,

would leave her with even less disposable income for day-to-day purposes. According to the Bureau of Labor Statistics, single men annually outspend single women by about \$2,000, which is much less than the gap in earnings, where single men made on average \$10,000 a year more than single women.

The wage gap is one factor that can set back women when it comes to attaining their retirement goals, but an extended career break can have an even greater impact. New mothers are more likely to take an extended career break than new fathers. A study by LinkedIn and Censuswide found that about half of the women in the study took an extended break from the workforce, with the average break being roughly two years.<sup>6</sup> An extended career gap and pause in contributions to a retirement account can have a drastic impact on the amount of assets available later in life.

## The impact of a lower salary compounds over time, but a career break can have an even more devastating impact

The growth of a retirement account is largely impacted by the initial salary and contribution rate as well as the average growth rate. Women earn less than men, on average, throughout their careers, which could cause a retirement shortfall. But an extended career break can have an even greater effect on the value of retirement assets.



15% of women expect rental income to be a source of retirement income compared with 27% of men.

31% of women expect an inheritance to be a source of retirement income compared with 24% of men.

Early withdrawals can hurt retirement savings. Since the start of the pandemic, 25% of women who drew from a retirement plan used those funds to pay for a major expense, like medical bills, compared with 15% of men. More men intended to use withdrawn funds to pay down debt (41% vs. 31% women) and for daily living expenses (22% vs. 11% women).

### Sources:

Bureau of Labor Statistics (BLS) and Wells Fargo Investment Institute, as of November 2023. Assumptions: The starting salary for men is the median for men aged 20 – 24, provided by BLS as of March 2023. The starting salary for women is the median for women aged 20 – 24. Salary increases 2% each year with promotions every 5 years accompanied by a 5% salary increase for men. Salary increases are scaled down 83% for women. 3% of salary is contributed to the retirement account each year, increasing by 3% on promotion years until reaching 20% maximum. A two-year career break is factored into women's salary growth and savings in years 13 and 14. Salary in year 15 is reestablished at the same level as year 12. Salary growth resumes in year 16. Savings contributions are halted during the career break and resume in year 15 at the same level as year 12. Average growth rates are determined by the WIM Analytics study, September 2023; Wells Fargo/Gallup Investor and Retirement Optimism Index, February 2021.

# Closing the gap

In our most recent investor survey, we found that women increasingly are becoming as optimistic as men about the performance of the stock market; however, across all age groups, they remain less inclined to take on greater risk in hopes of generating higher returns.<sup>2</sup>

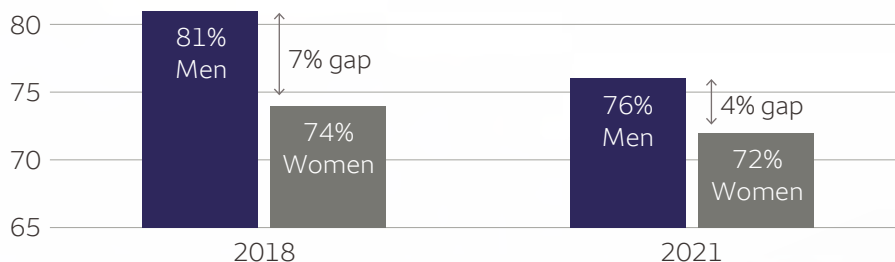
According to data from the World Health Organization, women tend to live longer than men, meaning that their investment assets will have to last longer. Because women generally have a longer investment time horizon than men of the same age, some women may want to consider a more growth-oriented asset allocation in order to meet their financial goals.

Investing too aggressively, though, may result in an undesirable level of portfolio volatility, so finding the right asset mix is critically important. Working with an investment professional is one way to determine an appropriate strategic asset allocation.

## Women are becoming more comfortable investing in the stock market

When asked if the stock market is a good place to invest, women's optimism about stock market returns is closing the gap with men's.

### Respondents who believe the stock market is a good place to invest (%)



### Key takeaways

Women reported being more cautious about making investment decisions.

Investors with a longer time horizon and higher risk tolerance should consider a growth-oriented asset allocation.

Following a sound investment strategy and taking appropriate levels of risk are important contributors to long-term results.

Sources:  
Wells Fargo/Gallup Investor and Retirement Optimism Index, November 2018.  
Wells Fargo/Gallup Investor and Retirement Optimism Index, February 2021.



# How women invest

In our study of Wells Fargo Advisors clients, we found that women exhibited several important strengths related to their investment success.

**Discipline:** Our findings<sup>7</sup> show that women tended to have a more disciplined approach to investing that may have contributed to their stronger risk-adjusted returns.<sup>8</sup> Likewise, Warwick Business School found that female investors tended to invest in fewer speculative stocks and were less likely to hold on to stocks showing a loss.<sup>9</sup>

**Willingness to learn:** Women are more likely to seek education and advice from investment professionals. In our 2021 investor survey, half of women reported working with a personal financial advisor, compared with just under 37% of men.<sup>2</sup>

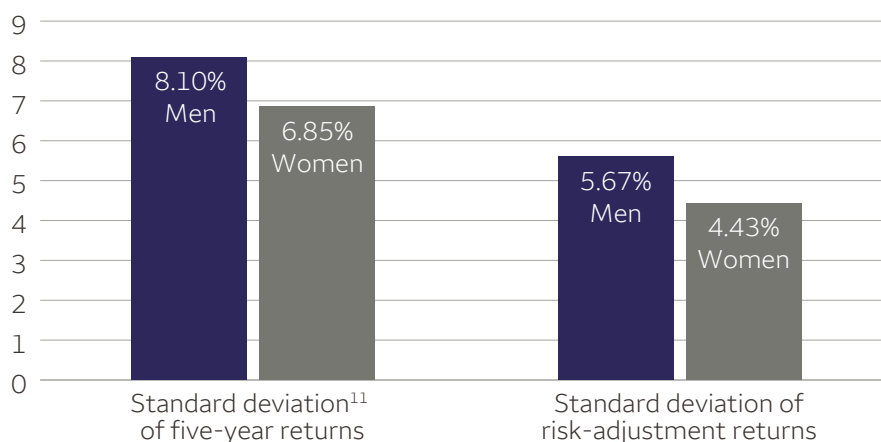
**Risk-taking:** Our study confirmed that, on average, women are more risk-averse than men when it involves managing their individual accounts.<sup>7</sup> But that has not held back their ability to achieve attractive risk-adjusted returns.

Women achieved similar returns to men but took significantly less risk. Interestingly, a Harvard study showed that in the areas of social entrepreneurship and impact investing, women take more risk than men. So women's risk-taking behavior appears to be more context based.<sup>10</sup>

A recent study of Wells Fargo Advisors clients indicates that women have exhibited the ability to generate strong risk-adjusted returns. The study conducted in July 2021 showed that female-led investment accounts earned the highest absolute returns and the highest risk-adjusted returns. Male-led investment accounts and single men had lower average risk-adjusted returns.<sup>7</sup> The takeaway? Many women in our study are effectively managing their own assets and contributing to a stronger investment partnership when the responsibilities are shared.

## Volatility of returns for women and men

Women's investment returns showed less volatility than those of men, while achieving similar returns.



## Key takeaways

In our study, women, on average, took less overall risk but were rewarded for the risks they did take.<sup>8</sup>

Women tend to be more willing to seek advice and guidance from investment professionals.

Source:  
Gender Differences in Performance at Wells Fargo Advisors, WIM Analytics, September 2023. Average annual trades over a five-year period from January 1, 2018 to December 31, 2022.



# Perception meets reality

Women's greater willingness to develop a financial plan, adhere to that plan, and work with an advisor are among the factors we believe led to attractive investment results. In September 2023, the Wealth & Investment Management (WIM) Analytics group updated a 2021 study of Wells Fargo Advisors accounts for which gender information was available. At 53%, single-female and female-led households represented a larger percentage of accounts this time compared with just 37% of accounts in the previous study. The study covered the period from January 2018 to December 2022 and supported the results of our earlier study — single female accounts tend to outperform single male accounts on a risk-adjusted basis.<sup>7</sup>

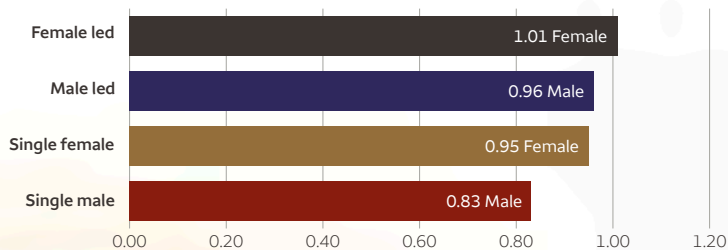
On an absolute return basis without adjusting for the higher risk taken, male-led joint accounts achieved the highest return. However, when adjusted for the amount of risk taken, women investors led men for the five-year period, with female-led joint accounts achieving the highest risk-adjusted return. The analysis also showed an interesting fact that "two heads are better than one," since accounts with two owners achieved better returns on an absolute and risk-adjusted basis.<sup>7</sup>

This means that when making decisions for their accounts, women achieved higher returns on their investments while taking on less risk than men, when risk is measured by standard deviation.<sup>11</sup> The WIM Analytics data showed that women investors, on average, took approximately 85% of the risk that men took while achieving 96% of men's returns.<sup>7</sup>

Following a sound investment strategy and taking appropriate levels of risk are important to long-term results.

## Risk-adjusted returns for women and men

Single-female and female-led accounts achieved higher risk-adjusted investment returns than men.



Source: Gender Differences in Performance at Wells Fargo Advisors, Wealth & Investment Management (WIM) Analytics, September 2023. The total study included more than 50,000 accounts from December 2012 to 2022 with investable assets of \$50,000 or more. Excludes advisory accounts. Five-year time-weighted (or geometric mean) returns net of commissions and fees between January 2018 and December 2022. **Past performance is no guarantee of future results.** Performance results represent only the results of the survey.

## Key takeaways

Women appear to have benefited from their disciplined approach to taking risk, willingness to stick with a long-term investment plan, and openness to seeking investment advice.

Women's returns on their investments have led men's returns on a risk-adjusted basis.

The good news is that many women effectively manage their own investment accounts and have strengthened the returns of a shared account.

# Keys to becoming a better investor

We think two keys to becoming a better investor are to know yourself and to familiarize yourself with a few important investment concepts. You can determine your financial temperament,<sup>12</sup> or personality, by identifying your approach to investing.

**Know yourself:** Understanding yourself as an investor can help you work better with a financial professional to find the investing style that's right for you. There is no right or wrong type of investor — just people who relate differently to their money and who can potentially benefit from different strategies to help meet their investment goals and work toward financial independence. You may identify more as an artisan, a guardian, an idealist, or a rational. If you share finances, it also can help to understand your partner's investment personality — to consider what you can learn from them and what they can learn from you.

Depending on your investment personality,<sup>12</sup> you may identify with one or more of these investor styles:



## Artisan

- Is entrepreneurial and looking for new ways to make money
- Acts quickly on investments
- Is comfortable investing large sums of money in hopes of large returns

**Financial strength:**

Searches out innovative ways to make money

**What to watch:**

Possible overconfidence and tendency to focus too much on short-term investments

## Idealist

- Prefers to focus energy on things other than money and finances
- Thinks of money as a necessary evil

**Financial strength:**

Leaves investments alone to grow

**What to watch:**

Not matching savings and investments to goals for which they have enthusiasm

## Guardian

- Is cautious with money
- Values financial security over growing wealth

**Financial strength:**

Understands the importance of money

**What to watch:**

Potential for low-risk investment

## Rational

- Is numbers oriented
- Considers themselves good with money
- Likes to stay involved with investments

**Financial strength:**

Takes the time to understand investments

**What to watch:**

Dwelling too much on previous poor investment decisions and losses





# Key investment concepts

**Know your asset allocation:** Many women self-identify as conservative investors, and one mistake that conservative investors can make is putting too much of their portfolio in cash. Given the low yields on cash and cash alternatives compared to expected returns in other asset classes, a better way to attempt to manage risk is through strategic asset allocation — spreading assets among stocks, bonds, real assets, and alternative investments. Academic studies<sup>13</sup> and our own research<sup>14</sup> have shown that strategic asset allocation tends to be the main driver controlling a portfolio's fluctuations. Specifically, our findings show that about 79% of return variability comes from strategic asset allocation. A relatively small percent comes from tactical asset allocation, security selection, and other unexplained variables.

**Don't time the market:** Taking prudent levels of risk does not mean timing the market. Investors who attempt to time the market can suffer from lower returns over time. According to a study by DALBAR, Inc., a financial services research firm, more than half of the gap in the return of the average stock investor and the return of the S&P 500 Index can be attributed to performance chasing and other bad investing habits. The message from DALBAR's yearly analysis has been consistent since its first study in 1994: Investment results are more reliant on investor behavior than fund performance. Time in the market matters more than trying to time the market.<sup>15</sup>

**Note:** Strategic asset allocation is a way of allocating different types of assets within an investment portfolio based on longer-term expectations for risk and return. Tactical asset allocation is a way of allocating different types of assets within an investment portfolio based on shorter-term expectations for risk and return.

“... the worst investment you can have is cash ... We always keep enough cash around so I feel very comfortable and don't worry about sleeping at night. But it's not because I like cash as an investment. Cash is a bad investment over time. But you always want to have enough so that nobody else can determine your future essentially.”

— Warren Buffett

## Attempting to time the market can hurt returns

Individual stock investors versus the S&P 500 Index over a 20-year period

9.00%

Average stock investor return

9.80%

S&P 500 Index

2.52%

Inflation

Sources:

Dalbar, Inc., 1985 – 2022; “Quantitative Analysis of Investor Behavior,” 2023, DALBAR, Inc., dalbar.com. **Past performance is not a guarantee of future results.** Dalbar computed the “average stock fund investor return” by using industry cash-flow reports from the Investment Company Institute. The “average stock fund return” figure represents the average return for all funds listed in Lipper's U.S. diversified equity fund classification model. All DALBAR returns were computed using the S&P 500 Index. Returns assume reinvestment of dividends and capital gain distributions. The fact that buy and hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future. The performance shown is not indicative of any particular investment; CNBC, Warren Buffett, and Bill Gates: Keeping America Great, November 9, 2009.



# What you can do now

**Learn more about investing:** Talking with an investment professional or a financial planner can help you understand the basics of investing — things like setting aside enough cash for an emergency, defining your time horizon and risk tolerance, and developing an appropriate asset allocation.

You can also learn about investing by reading financial journals, watching financial news channels to learn the industry terminology, or listening to investment-related podcasts or market updates on the radio.

**Setting investment goals:** Investment goals can be as varied as the people who define them, but they generally fall into the categories of income, growth, or a mix of the two. Moreover, each of your investment goals will generally have an associated time period that helps determine what type of assets you should potentially use to assist you in reaching your investment goals with the appropriate level of risk.

| Sample investment goals | Time horizon  | Appropriate risk level | Assets to consider  |
|-------------------------|---------------|------------------------|---|
| Down payment on a house | 6 – 12 months | Low                    | Cash alternatives (such as money market funds)                              |
| Education expenses      | 5 years       | Modest                 | Bonds, stocks, public real estate (REITs)                                   |
| Growth for retirement   | 15 years      | High                   | Bonds, stocks, REITs, commodities, alternative investments*                 |
| Bequest to charity      | 30 years      | Very high              | Stocks, REITs, certain types of higher-risk bonds, alternative investments* |

\*Alternative investments are not appropriate for all investors. They are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. Please see end of report for important definitions and disclosures.







**Preparing for retirement:** If retirement is one of your investment goals, you need to consider your expected income from all sources versus your expected expenses. Even if you already are retired, it is still a good practice to periodically evaluate your income and expenses.

A general rule of thumb is that you will need to generate at least 80% of your preretirement income when you are retired. Also, women generally live longer than men, so they likely will end up spending more on everything from groceries to health care.

### Key takeaways

If retirement is one of your goals, determine your expected income and expenses, and make plans to generate at least 80% of your preretirement income.

While fewer women than men were educated by parents on investing, women have reported taking a different approach with their own children. 87% of women report educating their children on finances.

#### Sources of income

- Employment
- Social Security
- Pension
- Health Savings Account
- 401(k), 403(b), IRA, Roth IRA
- Inheritance
- Other investments

#### Expenses

- Housing/rent
- Utilities
- Groceries
- Clothing
- Travel
- Health care
- Non-routine major purchases
- Other expenses

**Sharing investment knowledge:** Fewer women than men surveyed report being educated by parents on finances and investing.<sup>2</sup> But women are taking a different route, with 87% of women reporting educating their children on finances compared with 76% of men. Additionally, three in four women surveyed reported that their children are learning about money and finances at home as opposed to at school or on their own.<sup>16</sup>



### Education and research

- Use online budget and retirement calculators.
- Build investment knowledge using public resources or classes.
- Consult an investment professional and ask questions.
- Know what retirement benefits your employer offers.
- Explore individual retirement accounts (IRAs).
- Determine which provider types are right for you:
  - Full service
  - Telephone assistance
  - Digital advisor

### Take action

- Track savings and expenses to prepare for planning.
- Establish an investment plan:
  - Develop a budget that includes saving and investing.
  - Determine your appropriate asset allocation.
- Monitor and rebalance your portfolio.
- Select investment vehicles.
- Revisit your strategy when your circumstances change.

### Pay it forward

- Teach children about money and finances. PISA reported that among Organisation for Economic Co-operation and Development (OECD) countries, 22% of students score below the baseline level of financial literacy. Only 12% are high performers.<sup>17</sup>
- Teach the next generation about investing.
- Help children open their own accounts and supervise their investing and spending.



## Footnotes

1. U.S. Census, 2020: Women were 51% of the U.S. population.
2. Wells Fargo/Gallup Investor and Retirement Optimism Index, February 2021. Results for this Wells Fargo/Gallup Investor and Retirement Optimism Index are based on a Gallup Panel™ web study completed by 1,536 U.S. investors, aged 18 and older, from February 8 to 16, 2021. This quarter's poll includes an oversample of Black and African American investors, resulting in a total of 573 Black and African American investors included in this survey. For this study, the American investor is defined as an adult in a household with stocks, bonds, or mutual funds of \$10,000 or more, either in an investment account or in a self-directed IRA or 401(k) retirement account.
3. "Women's Quick Facts: Compelling Data on Why Women Matter." STEMconnector®, November 2016.
4. Vanguard Institutional, "How America Saves", June 1, 2022.
5. Fidelity, "The gender gap and retirement", August 26, 2021.
6. LinkedIn and Censuswide, "Nearly half of mothers work, take a break, and work again. Why is there still such a stigma?", March 4, 2020.
7. Gender Differences in Performance at Wells Fargo Advisors, Wells Fargo Wealth & Investment Management (WIM) Analytics, September 2023. Average annual trades over a five-year period from January 1, 2018 – December 31, 2022.
8. Risk-adjusted returns represented by return divided by risk.
9. Findings from Warwick Business School, "Are women better investors than men?", June 2018.
10. *Harvard Business Review*. "How the gender balance of investment teams shapes the risks they take", December 24, 2020.
11. When a stock or portfolio has a higher standard deviation, the predicted range of performance is wide, implying greater volatility.
12. Meir Statman, Ph.D., and Vincent Wood, CFA. "Behavioral Aspects of the Design and Marketing of Financial Products." *The Journal of Investment Consulting*. Summer 2004, Volume 7, Number 1.
13. Gary P. Brinson, Randolph Hood, and Gilbert L. Beebower. "Determinants of Portfolio Performance." *Financial Analysts Journal* (July/August 1986). Gary P. Brinson, Brian D. Singer, and Gilbert L. Beebower. "Determinants of Portfolio Performance II: An Update." *Financial Analysts Journal* (May/June 1991).
14. Determinants of Portfolio Returns, Wells Fargo Wealth Management, November 2011.
15. Dalbar, Inc., 1985 – 2022; "Quantitative Analysis of Investor Behavior," 2023, DALBAR, Inc., dalbar.com. **Past performance is not a guarantee of future results.** Dalbar computed the "average stock fund investor return" by using industry cash-flow reports from the Investment Company Institute. The "average stock fund return" figure represents the average return for all funds listed in Lipper's U.S. diversified equity fund classification model. All DALBAR returns were computed using the S&P 500 Index. Returns assume reinvestment of dividends and capital gain distributions. The fact that buy and hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future. The performance shown is not indicative of any particular investment.
16. Wells Fargo Survey of Affluent Women, March 2021.
17. OECD Programme for International Student Assessment (PISA) 2015 Results (Volume IV): Students' Financial Literacy, May 2017.

## Risk considerations

Asset allocation is an investment method used to help manage risk. It does not ensure a profit or protect against a loss. All investing involves risks, including the possible loss of principal. There can be no assurance that any investment strategy will be successful. Investments fluctuate with changes in market and economic conditions and in different environments due to numerous factors, some of which may be unpredictable.

**Each asset class has its own risk and return characteristics. Alternative investments** trade in diverse complex strategies that are affected in different ways and at different times by changing market conditions. Strategies may, at times, be out of market favor for considerable periods with adverse consequences for the investor. **Bonds** are subject to market, interest-rate, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower-rated bonds. **Cash alternatives** typically offer lower rates of return than longer-term equity or fixed-income securities and may not keep pace with inflation over extended periods of time. **Real assets** are subject to the risks associated with real estate, commodities, and other investments and may not be suitable for all investors. **Stocks** are subject to market risk, which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Real estate** is subject to the risks associated with real estate, commodities, and other investments and may not be suitable for all investors. **Real estate** has special risks, including the possible illiquidity of underlying properties, credit risk, interest-rate fluctuations, and the impact of varied economic conditions. Other risks associated with investing in listed **REITs** include the use of leverage, unexpected reductions in common dividends, increases in property taxes, and the impact to listed REITs from new property development. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility.

Alternative investments carry specific investor qualifications which can include high income and net-worth requirements as well as relatively high investment minimums. They are complex investment vehicles which generally have high costs and substantial risks. The high expenses often associated with these investments must be offset by trading profits and other income. They tend to be more volatile than other types of investments and present an increased risk of investment loss. There may also be a lack of transparency as to the underlying assets. Other risks may apply as well, depending on the specific investment product.

## Definitions

**S&P 500 Index** is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

**Wells Fargo/Gallup Investor and Retirement Optimism Index** is a broad measure of U.S. investor confidence in the investing climate.

The Wells Fargo/Gallup Investor and Retirement Optimism Index was conducted August 5 – 14, 2016, by telephone. The index includes 1,021 investors randomly selected from across the country with a margin of sampling error of +/- four percentage points. For this study, the American investor is defined as an adult in a household with total savings and investments of \$10,000 or more. About two in five American households have at least \$10,000 in savings and investments. The sample size is composed of 71% nonretirees and 29% retirees. Of total respondents, 43% reported annual income of less than \$90,000; 57% reported \$90,000 or more.

# Authors



**Tracie McMillion, CFA**

*Head of Global Asset Allocation Strategy*

Tracie McMillion is the head of global asset allocation strategy for Wells Fargo Investment Institute (WFII). In her current role, Ms. McMillion leads the development of global asset allocation strategy. She oversees the creation of strategic asset allocation recommendations and writes economic and market commentary and analysis. Ms. McMillion has more than 25 years of experience in financial services. Prior to her current role, she served as an asset allocation strategist and a senior investment research analyst for Wells Fargo and predecessor firms. Earlier in her career, she served as lead portfolio manager for Evergreen Private Asset Management, where she managed assets for high-net-worth clients and philanthropic organizations. Ms. McMillion earned a Bachelor of Arts in Economics and a Master of Business Administration from the College of William and Mary in Virginia. She is a CFA® charterholder and a member of CFA Society North Carolina.



**Veronica Willis**

*Global Investment Strategist*

Veronica Willis is a global investment strategist for Wells Fargo Investment Institute (WFII). In her role, Ms. Willis takes part in the development of long-term capital market assumptions and asset allocation recommendations. She also researches and provides analysis of the economy and financial markets. Prior to her current role, she served as a research analyst for strategy around developed and emerging countries, commodities, and currencies. She began her career at Wells Fargo in 2012 and is an active member of several employee resource networks including the Generation Connection, Women's Connection, and Black and African American Connection. Ms. Willis earned a Bachelor of Arts in Mathematics with a concentration in Statistics and a Bachelor of Arts in Spanish with a minor in Economics from Washington University in St. Louis.



**Michelle Wan, CFA**

*Investment Strategy Analyst*

Michelle Wan is an investment strategy analyst for Wells Fargo Investment Institute (WFII). In her current role, Ms. Wan researches and writes on investment topics and focuses on global macro and asset allocation. She previously served as a client-facing investment strategist managing investment portfolios and recommending investment strategies based on clients' specific situations. Ms. Wan has more than 15 years of experience working with wealth management clients and commercial companies in the U.S. and overseas. Ms. Wan earned a Bachelor of Science in Business from the Carlson School of Management at the University of Minnesota. She has a double major in Finance and Accounting, and a minor in Economics. Ms. Wan is also a CFA® charterholder.



# Market research and advice for individual investors

**Wells Fargo Investment Institute (WFII) is dedicated to delivering consistent research, guidance, and investment advice to financial advisors. Featuring some of the best talent and thinking in the investment industry, WFII unites manager research, alternative investments, and investment strategy teams in an effort to help investors manage risk and pursue their financial goals.**

*To help with your investment planning or to discuss the points in this report, please talk to your investment professional.*

## Follow us on Twitter/X at @WFInvesting

---

Wells Fargo Investment Institute, Inc. is a registered investment adviser and wholly-owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

Wells Fargo Investment Institute thanks Justin Kreiger, CFA, and John Morton, M.S., Ph.D., of Wells Fargo Wealth & Investment Management Analytics Group for the use of their research on “Gender Differences in Performance at Wells Fargo Advisors”.

Wells Fargo Wealth Management provides products and services through Wells Fargo Bank, N.A., and its various affiliates and subsidiaries.

The information in this report was prepared by the Global Investment Strategy (GIS) division of WFII. Opinions represent GIS’ opinion as of the date of this report, are for general informational purposes only, and are not intended to predict or guarantee the future performance of any individual security, market sector, or the markets generally. GIS does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to any particular investor or potential investor.

This report is not intended to be a client-specific suitability analysis or recommendation; an offer to participate in any investment; or a recommendation to buy, hold, or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs, and investment time horizon.

Wells Fargo Wealth & Investment Management, a division within the Wells Fargo & Company enterprise, provides financial products and services through bank and brokerage affiliates of Wells Fargo & Company. Brokerage products and services are offered through Wells Fargo Clearing Services, LLC, a registered broker/dealer and nonbank affiliate of Wells Fargo & Company.

This information and any information provided by employees and representatives of Wells Fargo Bank, N.A. and its affiliates is intended to constitute investment education under U.S. Department of Labor guidance and does not constitute “investment advice” under the Employee Retirement Income Security Act of 1974. Neither Wells Fargo nor any of its affiliates, including employees, and representatives, may provide “investment advice” to any participant or beneficiary regarding the investment of assets in your employer-sponsored retirement plan. Please contact an investment, financial, tax, or legal advisor regarding your specific situation. The information shown is not intended to provide any suggestion that you engage in or refrain from taking a particular course of action.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC, a registered broker-dealer and nonbank affiliate of Wells Fargo & Company.

© 2023 Wells Fargo Investment Institute. All rights reserved. PM-05092025-6086196.1.1 IHA-7673403