**Life Shocks: Catalyst to Shake Financial Well-Being**

The purpose of this research is to explore different factors responsible for the discrepancy in the financial well-being of men and women. With the use of data from the National Financial Well-Being Survey, I will study the relationship of financial well-being with three group of factors (financial knowledge, life shocks, and demographic characteristics) and how relationships might differ across gender.

These days a higher number of women are attending colleges and universities. Also, women's percentage in the workforce got almost double in the last couple of decades. However, they often put themselves at the end concerning managing their financial well-being as compare to men. Often women are at risk financially due to fundamental biases in the economy and the job market.

A recent study of Harvard’s Business Review on COVID-19 shows that women’s jobs are 1.8 times more susceptible to this crisis than man’s jobs. On the global employment level, women’s share is 39% of the workforce but account for 54% of overall job losses as of May 2020 according to Mahajan et al. (2020). This difference caught my attention to research more on the impact of this kind of life event on the financial well-being of men and women.

For a community to grow everyone must have an equal access to healthcare, education, employment, and technology. In this analysis, I will be focusing on areas of women-empowerment which enables a woman to have a better financial well-being score. This analysis will provide different opportunity areas for policymakers to create woman-oriented policies. Policy makers can use the outcomes of this study to focus on various factors in which women need additional support for stable financial well-being during the crisis.

Study of the financial well-being of the millennial shows that women-display a lower level of financial well-being. And they also found that financial knowledge, shocks to income are an important determinant of financial well-being – From Lusardi, Annamaria (2019).

Financial behaviors were positively related to financial well-being as well as financial characteristics were significantly related to financial well-being. They have also found that the practice of budgeting and saving has a positive impact on higher financial well-being - From Gutter and Copur 2011.

Concerning poor urban households in India, the study finds that education and employment reduce the well-being of women relative to men – From Bandyopadhyay 2020. Previous research shows that women among older divorced/separated (life shock) people faced more loss in total wealth due to marital disruption than men. However, they can take proactive measures to ensure higher financial well-being at a later stage – From Sharma 2015.

Most of the prior research focused on the impact of different financial characteristics and financial behavior on a person’s financial well-being. However, there is very little information available on the impact of life shocks such as divorce, death, job loss, etc. on women’s overall financial well-being. The objective here is to fill this gap and explore different life events (mostly negative) which can be extremely stressful to manage better financial well-being. I will try to find different factors such as demographic characteristics, and financial knowledge which can be important for women to achieve financial independence after a major life event or shock. The study of these parameters can also be useful for policy makers to implement policies to improve the well-being of women.

Hypothesis for the research: The first one is Male, and the female has a difference in their financial well-being scores due to their financial inclination towards different financial products and financial skills. The second one is male is a better handler of life shocks. The third one is demographic characteristics play an important role in the difference between the financial well-being of men and women. Fourth and my final hypothesis is Life shocks are a major cause of financial distress in women controlling for financial inclination and demographic characteristics.

This study uses data from the National Financial Well-Being Survey in 2017. For the survey, they included the noninstitutionalized adult population in the 50 US states and Washington DC.

My dependent variable in this study is financial well-being. The CFPB Financial well-being scale was measured by evaluating answers for 10 selected questions. The questions in Financial well-being include – how well different statements describe people's financial situations. Each question's responses ranged from value zero to four. The computation of the score consists of two steps. In the first step, all the numerical response values were added together for every ten questions to get the total response value. And the second step was to convert the total response value to the CFPB Financial well-being scale score by looking into the corresponding self-administered score based on participant's age. The range of financial well-being score was 0-100.

I broadly categorize my independent variables into three groups. The first one is a financial knowledge, which consists of financial products and services an individual had such as checking or saving, life insurance, health insurance, retirement account, pension, stock and bonds, and educational savings account. Participants for the study had the option to choose yes or no if they had these products at the time of the survey. I will also evaluate financial inclination by their financial knowledge of long-term returns on investment, the benefit of diversification, stock/bond/saving volatility, housing market losses, and life insurance. These variables were measured using subjective questions to determine an individual’s understanding of financial products. The second is life shocks, which are measured using job loss, divorce, health emergency, major car or home repair, work hours/pay reduced, financial support to the family. For these participants were asked to select the life events which occurred in the past 12 months. Third is demographic characteristics, which include income, education, age, family size, employment, marital status.

The purpose of this research is to find the relationship between life shocks and financial well-being based on gender when controlling financial knowledge and demographic characteristics. As my hypothesis consists of many independent categorical variables, I will be using a multi-linear regression model to evaluate these relationships.

A priori expectation based on prior literature is that the Financial well-being is positively related to age, education, and income. Which manse with an increase in education and income financial well-being of a person also increases. Married and working individuals have a higher financial well-being score - From Lusardi, Annamaria **(**2019, 13). A prior study finds that the increase in financial knowledge helps an individual better understand, plan, and invest in their needs and hence a positive relationship with financial well-being -From Lusardi, Annamaria **(**2019, 14). Prior literature found that marital dissolution (life shock) is associated with a greater loss for women and negatively related to their financial stability – From Sharma, Andy (2015, 7).

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