

Women & Wealth Part II – Women: Wired to Invest

Managing Your Money

LYNN MacNEIL



In Part I and Part II, we discussed the emergence of women as a dominant financial force in Canada. Nearly 90% of women will be sole financial decision makers in their households at some point in their lives.¹ This month we will examine the additional risks women face, as well as natural advantages women can use to increase their likelihood of financial success.

Women face additional risks

Women are largely underserved by the wealth management industry.² Only 20% of women feel like their financial advisors truly understand their needs, 73% are “unhappy with the financial services industry” and 87% of women looking for an advisor say they can’t find one they can connect with.³ Worse many advisors, particularly those who have gotten cozy in relationships with rapidly evolving female clientele, haven’t figured this out. One of the biggest risks facing women is thus that they may be settling for poorly delivered, lazy, outdated advice.

“87% of women looking for an advisor say they can’t find one they can connect with.”

The good news is that that is starting to change. That’s particularly true among younger women who are increasingly financially literate and starting to assert themselves more. Women face different financial challenges than men. On average they live nearly five years longer than men. That means the average woman needs to save and invest over \$100,000 more than the average man.⁴ Women often have interrupted careers as a result of family responsibilities and still, frustratingly, often continue to earn less than men. So, while they need to save more, their retirement savings generally lag those of men.

However, on a positive note, according to a BMO Wealth Institute Report⁵ there is also evidence that once retired, women are more likely to enjoy their retirement and become happier as they grow older. So, while it may seem that the odds are stacked against women, they also seem to have adapted the necessary skill set to help them cope.

The advantage of women’s instinct

Interestingly, research by Fidelity Investments which analyzed the portfolios of 8 million of its retail clients in 2017, suggests that on average, women out-



performed men. Why is that? For one, women are less likely to make big bets. This leaves them less exposed to concentration risk and helps reduce overall portfolio volatility. While women are usually touted as “the more emotional sex”, when it comes to investing, the opposite holds true. Women are more likely to invest for the long term, less likely to panic during market dips, and generally make fewer trades than men.⁶ Nobel Laureate Daniel Kahneman notes that the fact that men tend to have more confidence in their investing prowess often hampers performance. Women are more careful and thus make less impulsive decisions.⁷

“Women face different financial challenges than men.”

While women, and particularly seniors, often have slightly less financial literacy than men, they tend to be more open to building their skill sets in partnership with professional advisors. A recent Statistics Canada Financial Capability Survey⁸ suggests that women who seek guidance from financial advisors achieved higher quiz scores and had more financial success than those who did not. Interestingly, I have noticed that men sometimes feel like they need to pretend they know more than they do about money. I rarely see this in women. I guess this is akin to the men “not asking for directions” phenomenon when they are lost. Women tend to work towards their goals with a high degree of confidence, and make investment decisions based on facts, not their gut.

The future is brighter

The wealth management industry needs to change its focus to the whole person, regardless of gender. That implies that goals-based approaches, which are focused on generating deep understanding of a person’s financial values will be the rule, not the exception. Other things won’t change that much. For example, in a world in which good financial planners know more sensitive information about their clients than their closest friends (and sometimes even their partners!) do, trusting, open relationships remain crucial.

“Women tend to work towards their goals with a high degree of confidence, and make investment decisions based on facts, not their gut.”

Just last weekend I was chatting with a woman about her advisor, and she commented, “I think he’s doing a good job, but he has no idea what my values are when it comes to money. We don’t really have a relationship; he just invests my money.” These advisor-client relationships were once typical. But today women clients are demanding more.

Lynn MacNeil, FPL., CIM®, is an Associate Portfolio Manager, Associate Investment Advisor and Financial Planner with Richardson Wealth Limited in Montreal, with over 25 years of experience working with retirees and pre-retirees. For a second opinion, private financial consultation, or more information on this topic or on any other investment or financial matter, please contact Lynn MacNeil at 514.981.5796 or Lynn.MacNeil@RichardsonWealth.com. Or visit our website at www.EphtimiosMacNeil.com.

The information provided in this publication is intended for informational purposes only and is not intended to constitute investment, financial, legal or tax advice. This material does not take into account your particular situation and is not intended as a recommendation. It is for general purposes only and you should seek advice regarding your particular circumstance from your personal tax and/or legal advisors. This material is based upon information considered to be reliable, but neither Richardson Wealth Limited nor its affiliates warrant its completeness or accuracy, and it should not be relied upon as such. June 2021

Richardson Wealth Limited is a member of Canadian Investor Protection Fund. Richardson Wealth is a trademark of James Richardson & Sons, Limited used under license.

1 Women and Wealth white paper. Strategic Insight 2017

2 Women and Wealth white paper developed by Strategic Insight. 2017

3 Financial advisors are failing women: What female clients really want and how to change the dialogue. Paradi and Filion. 2015

4 <https://www.theglobeandmail.com/globe-investor/retirement/retire-lifestyle/why-women-are-likely-to-spend-more-in-retirement/article28771285/>

5 BMO Report Retirement Institute April 2011 Divergent paths to retirement: How men and women plan differently

6 Managing the Next Decade of Women’s Wealth. Boston Consulting Group. April 2020

7 Kahneman, D. (2011). Thinking fast and slow. New York: Farrar Straus and Giroux.

8 Gender Differences in the financial knowledge of Canadians. Statistics Canada, March 2016

SPECIAL EVENT: November 2nd

We are hosting a virtual event with a special guest speaker who will present **WOMEN: WIRED TO INVEST – Unlocking your financial power.**

Visit www.EphtimiosMacNeil.com under “EVENTS” to find out more and request an invitation.