# Personal Finance Building Wealth Women & Wealth Part III – Women: Wired to Invest

# **Managing Your Money**

## LYNN MacNEIL



decision makers in their households at some point in their lives.<sup>1</sup> 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.<sup>3</sup> Worse many advisors, particularly those who have gotten cozy in relationships with rapidly evolving female clienteles, 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 One of the biggest risks facing women is thus that they may be settling for poorly delivered, lazy, outdated advice.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.<sup>4</sup> 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 Report<sup>5</sup> 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

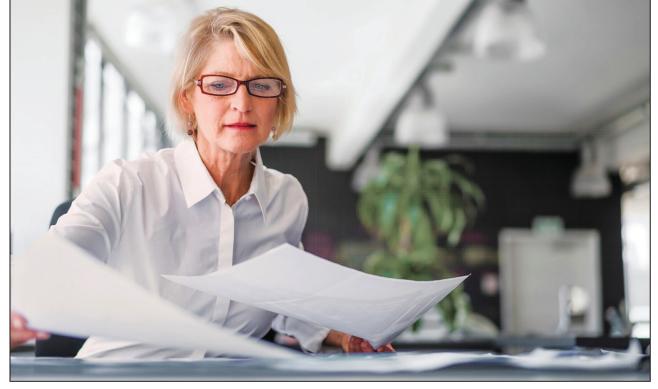
Interestingly, research by Fidelity Investments which analyzed the portfolios of 8 million of its retail clients in 2017, suggests that on average, women out-

## **SPECIAL EVENT:** November 2<sup>nd</sup>

We are hosting a virtual event with a special guest speaker who will present

**WOMEN: WIRED TO INVEST -**Unlocking your financial power.

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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.<sup>6</sup> 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.<sup>7</sup>

### "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 Survey<sup>8</sup> 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.

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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.

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1 Women and Wealth white paper. Strategic Insight 2017

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