# Stepping Up To the Financial Plate: Why Women Need Greater Confidence in Money Matters

By Kelley Keehn

**Kelley Keehn** is a personal finance educator, media personality and best-selling, award-winning author of nine books. She was a member of the National Steering Committee on Financial Literacy and is the consumer advocate for the Financial Planning Standards Council.

Find more info at www.kelleykeehn.com
Her full bio can be viewed here

According to a recent national survey conducted on behalf of the Financial Planning Standards Council (FPSC), women are significantly more likely than men to lose sleep over financial worries. While the study found that 42% of Canadians rank money as their greatest source of stress, 51% of women, compared to 40% of men, are more likely to stay awake at night because of financial stress.[1]

Why are women stressing more? Because they're earning more and living longer than they used to, and more often than not, they're becoming the primary money managers in the household. All this stress can take its toll.

Women today as a market are a pretty big deal! A growing number of women are the primary breadwinners of their household in addition to being the primary money managers. Over the past few decades, as women's careers have advanced, so have their earning power and net worth:

- It's estimated that by the end of 2024, Canadian women will control approximately $3 trillion dollars, or 46% of total personal wealth—that's up from 33% today.[2]
- 60% of university graduates are women.[3]
- 29% of wives in dual-earner households earn more than their husbands.[4]
- It's estimated that retirees will control $2.6 trillion in assets by 2022,[5] and women are likely to inherit the money before it gets to the children.
- 43% of Canadian investors with $500,000 or more in assets are women.[6]

But when women step up to the financial plate, they're not always as confident as they could be, or even need to be.

Many books and studies reveal that women are very competent when it comes to financial matters, but they're not always very confident. A lack of confidence can cause them to be too cautious, resulting in not taking enough investment risk and not negotiating for better salaries. This latter mistake can result in women cutting their net worth short of hundreds of thousands of dollars during their working lifetime.

Failing to negotiate your salary (and your mortgage) and failing to understand your investment fees and the level of risk of your investments (you may be taking too little) could make you fall short of the retirement of your dreams. And remember: There is no such thing as a risk-free investment. Even a guaranteed GIC from your bank has interest rate risk (if rates go up, you're stuck with a lower, locked-in rate) along with the likelihood that you could earn nothing on your investment or even end up with a negative return after accounting for tax and inflation.

## Financial Self-Efficacy

What can you do about a lack of confidence when it comes to personal finance? Start with incremental tasks that build what psychologists call self-efficacy, which is the extent of your belief in yourself to complete tasks and reach established goals. You build self-efficacy by taking actions (whether big or small) within your control that lead to success.

According to a recent article in the Journal of Economic Psychology, self-efficacy has an explanatory role in personal finance behaviour, and high financial self-efficacy is associated with investment and savings products. However, those with lower financial self-efficacy have more debt-related products.[7]

With a topic as vast as personal finance, we all can improve upon certain areas. It's a matter of identifying this room for improvement and building our self-efficacy. When addressing your investments, retirement, and estate planning, small steps lead to taking actions that create long-term success.

## Small Steps to Financial Success

The easiest first step to is to get up just five minutes earlier each day and google some simple financial search terms such as "What's the tax difference between an RRSP and a TFSA?" "What's on my credit report?" and "How do capital gains differ from interest income?" An excellent source of non-biased information can be found on the website of the Financial Consumer Agency of Canada (FCAC): www.fcac-acfc.gc.ca. The website also houses a national financial literacy database with thousands of resources from a plethora of sources.

**Self Efficacy Case Study:**

Viviane is a sharp professional in her early fifties. When she graduated with a political science degree and master's in sociology, she decided she needed a better understanding of capital markets and so enrolled herself in the Canadian Securities Course (CSC). When she married her husband, Tom, she relinquished all the money management and investment duties to him. Although she was far more knowledgeable and educated about their family finances than he was, she just felt that it should be his role to oversee and manage their wealth. Today, nearly two decades later, Viviane is getting a divorce from Tom, and she now has to pick up and identify the pieces of her financial life. Even though she was financially confident early in her career, she's totally unaware of her finances today and is slowly building her confidence. Understanding how self-efficacy works to assist her in rebuilding her financial foundation gives her renewed sanity and clarity about the time and effort it will take to reach her goals.

When you've taken some small steps to build your financial vocabulary, you can then move on to a personal finance book such as *A Canadian's Guide to Money-Smart Living* (which I happened to write) and perhaps even a course or seminar in your area.

Once your financial confidence is solid, look at your investment portfolio to ensure that a) you're comfortable with your risk vs. return strategy, and b) you're taking on enough risk to meet your retirement goals and needs. At its most basic, your portfolio—your basket of investments—needs to comprise a mixture of stocks, bonds, and cash. These are referred to as asset classes, and your portfolio needs a certain percentage of all of them to achieve maximum diversification. Warren Buffett, one of the most successful investors in the world, was rumoured to have said, "Put all your eggs in one basket, but watch that basket closely." However, if you're not a full-time portfolio manager, you likely have better and more important things to do in your day than watch your investments.

In today's landscape, you'll also find newer product options such as ETFs, index funds, equity-linked GICs, and more. The asset mix that's right for you depends on many factors, including your net worth, when you'll need to access your assets (generally, the more time you have until retirement, the more risk you can take), and your investment knowledge and experience.

Remember, too, that many investors take on more risk when markets are doing well ("Wow! Those returns look great!") compared to when the stock market plummets ("Wow! I had no idea the TSX could drop that much in a matter of months!"). Economist Harry Markowitz won a Nobel Prize for creating an ideal model of how much risk an investor should accept based on the amount of return expected—called the efficient frontier. However, it's been documented that even Markowitz didn't take on as much risk as his investment model said, on paper, that he could. Rule #1 in wealth building and portfolio preservation (keeping what you have) is to spend more time on understanding your risk tolerance and stick to sound investment strategies such as asset allocation in times when you're emotionally susceptible to the swaying ups and downs of the stock market.

Think about your level of financial confidence. Is it strong, weak, or somewhere in between? Take a few moments now to write down three tasks that could improve it. What about getting your paperwork in order or making a list of your debts and their interest rates? Start with the end in mind and create some retirement goals such as where you will live, how often you will travel, what your hobbies will be, and what percentage of your current income you think you'll need to achieve your goals. Maybe it's time to speak to a financial advisor or contact your existing one for help.

[1] "How Is Financial Stress Affecting Canadians?" Financial Planning Standards Council (FPSC), http://www.fpsc.ca/value-financial-planning/how-is-financial-stress-affecting-canadians (accessed on August 19, 2016).

[2] Household Balance Sheet Report 2015, Investor Economics, June 18, 2015.

[3] Statistics Canada, Postsecondary Student Information System, 1992 and 2008.

[4] "Economic Well-Being," Women in Canada: A Gender-based Statistical Report, Statistics Canada.

[5] Jacqueline Nelson, "Women and wealth: The investment sector's new—and crucial—frontier," The Globe and Mail, August 9, 2014.

[6] Tim Querengesser, "The Confidence Gap: Why aren't there more women investors?" Alberta Venture, February 10, 2014.

[7] Lisa Farrell, Tim R. L. Fry, and Lenora Risse, "The significance of financial self-efficacy in explaining women's personal finance behaviour," Journal of Economic Psychology, Vol. 54, June 2016: 85–99.