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Most women are still without a financial plan

Bryan Borzykowski



(December 2007) Despite more women being in the workforce, the vast majority of females don't have a financial plan. A new TD Waterhouse poll says only 25% of women seek investment advice from an advisor and just four in 10 pay off their credit cards each month.

"Women have a tendency to be very nebulous about goal setting," says Patricia Lovett-Reid, senior vice-president, TD Waterhouse Canada. "They'll say, 'I'm saving for a child's education.' Rather than being nebulous about it, they should put quantifiable goals on that."

The report reveals that women aged 56 to 65 wish they'd received more advice on how to take care of their finances when they were younger. A vast majority of these women — 87% — say they are satisfied overall with their lives, yet their "financial situation" is 9th on the list of things in life they're most happy with. "They could kick that up a notch," says Lovett-Reid.

Part of the reason more women aren't seeking out a financial planner is that some still think it's "the man's job" in a relationship to deal with investments. An earlier TD Waterhouse study showed that 65% of women surveyed took a more active role in family finances after a divorce, while 61% became more involved after a partner became ill or disabled. That means a majority of women hadn't thought about their own finances until something significant forced them to become involved.

Janet Freedman, an advisor with Toronto-based Finance Matters, points out that traditionally, women have been the ones to manage family finances. It's only recently that men have taken over. "It has not really been recognized that women have always managed the money, the day-to-day expenses, making sure all the rent was paid, and there was food on the table. It used to be this way until the last 30 or 40 years. That memory seems to have been lost."

As for younger women, the TD study found females aged 25 to 35 are "living in the moment." Only 35% of women in that age group said they pay off their credit card balance each month, while just 14% have seen a financial advisor. As well, 65% said they "feel it's OK to splurge on gifts for special occasions," 39% admitted they spend too much money on things they don't really need and 26% admitted to suffering from a "spending hangover."

"Younger women are more willing to put their finances on the back burner," says Lovett-Reid. "Some think they have to compromise between saving and living."

Freedman sees this type of behaviour with some of her daughter's friends, but her own offspring is guilty of some irrational financial behaviour as well. In a couple of instances, her daughter didn't pay off her credit card bill because she said she didn't want to touch her savings. Freedman explained that using the money to pay off a high-interest credit card will be a lot more beneficial than keeping the money in a 4% interest savings account. "You borrow from savings and then pay back into savings. It's basic elemental math that needs to be taught in high school," she says.

Some of the attitudes that young women have toward money are directly related to how their parents spent, says Freedman. She recalls a time when she went to her daughter's class to tell a group of 12-year-olds how to file a tax return as part of a class project. "Some took to it and some freaked out," she says. "That's learned from their parents. There's no reason why 12- or 13-year-olds will have that reaction to a tax return. A lot of attitudes toward money and spending are picked up from a very early age."

Clearly, the attitudes toward saving are varied among women, and it's not at all equal among men and women either.

"[For women, planning] is based on relationships for sure," says Jennifer Spalling, a CFP and investment advisor at Canaccord Capital. "Once a relationship is made, it's solid. We don't respond well to a quick sell."

Freedman agrees: "It's all about the relationship, not about the rate of return. Trust is a huge issue. You can't use the greed factor as well with women as you can with men."

And trust can be compromised by an intimidating, male investment advisor. Spalling says that while attitudes have definitely improved, there remain many men in the industry who don't take female clients seriously.

It would help if more women became advisors, but Spalling reveals that it's still a man's game. "I find some firms are seeking out women advisors," she adds, "but most of it is the old boys' club."

Lovett-Reid's advice is that advisors — both male and female — should not treat women as a homogenous group, as every age group has different needs. But she notes that the market for women in need of a financial plan, especially older women, is burgeoning.

"I have been speaking to a number of [mature] women, and they're saying, 'This is my decade,' " she says. "Typically they have financial freedom, the kids have moved on, and they're seeing 'I've got huge earning potential and I can do what I want.' Advisors should be grabbing this group and helping them plan."

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(12/11/07)

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