

'A lot of Scarlett O'Haras out there'

Lack of financial confidence leads to 'avoidance behaviour'

Dana Lacey, *Financial Post* Published: Friday, January 22, 2010

First, the numbers: Studies show that nearly all women are comfortable managing day-to-day expenses. Most of them pay off credit cards and loans on time. But when it comes to bigger-picture planning, less than a third have a formal financial plan. Half do not feel confident in their investing skills. Only a sliver -- 5% -- describe themselves as "very confident" investors.

Disappointing statistics are nothing new, of course. But as women continue to make strides in employment and education, financial planning is still something many women avoid. "The vast majority of women have a very challenging relationship with money," says Karin Mizgala, cofounder of the Women's Financial Learning Centre (WFLC) in Vancouver. "Many just don't want to deal with it. There are a lot of Scarlett O'Haras out there."

She credits the avoidance behaviour to a lack of confidence. "Money brings up feelings of guilt and shame: 'I should have started thinking about this 10 years ago, I shouldn't have let my husband make that bad decision, I shouldn't have signed for that investment I didn't fully understand.' It's so overwhelming, some women just decide to ignore it."

The problem with leaving planning to another day is obvious: If you don't recognize your goals, how can you ever achieve them?

Finance has been a male-dominated industry since its inception. "Women have only been custodians of their own money for 50 to 60 years. It's really just a blip in the history of men," Ms. Mizgala says.

Most advisors are men. One study found that advisors spent 58 minutes with their male clients and only 30 minutes with women. They covered a fuller range of topics with men. All of the women were told to go home and discuss the plan with their husband. None of the men were told the same. While financial planners may not intentionally have a bias, women should be sure to tell potential advisors that you want the opportunity to understand exactly what is happening in your portfolio.

"I have a client who is as financially savvy and as educated as her husband," Ms. Mizgala says. "A year ago, when the couple went to their previous advisor, she asked all the questions and lead the conversation. Yet the advisor only spoke to the husband."

It has a lot to do with the way women are hardwired, Ms. Mizgala says. "Men can really relate to numbers as being a benchmark of success, whereas for women, numbers are more about security."

It's a myth that women are more risk-averse. Once women are educated and start investing, studies show that their portfolios perform 1% to 1.5% better than men, partly because women stick with plans once they come up with them. They tend to be more buy-and-hold investors.

Women also do more research in what they're investing in, says Patricia Lovett-Reid, vice-president, TD Waterhouse Canada.

Vancouver resident Rachel Mitchell received a large inheritance while she was still young. "I was suddenly faced with having to manage money I didn't earn. I don't have the control my parents did over money."

That early experience equipped her to be the financial planner in her marriage.

"Before I buy something I do a lot of research. I like to see what is recommended, the history, all the facts ... It frustrated my husband to no end. He wondered why we couldn't just enjoy the process. So now I do the research before we go shopping together."

Of course, when it comes to money, not all women struggle with confidence. "What happens is that those who have come such a long way make the assumption that everyone has," Ms. Lovett-Reid says.

Dayanti Karunaratne is currently the only breadwinner in her marriage: Her husband is American and a student, and not yet qualified to work in Canada. She got her financial education as an impoverished college student and she now acts as primary decision-maker when it comes to finances. She has slowly taught her husband how to deal with money. "When I met him, he carried it around in a Ziplock bag."

Women don't need to be treated differently to become good planners. "Women don't want special products or special services. But they do want to be educated to make the right decisions," Ms. Lovett-Reid says. It's to the industry's advantage that women become educated, she said, because confident people make better investors. "Women share information. If I find someone who respects me and helps me achieve my goals, I'm going to tell 10 other women."

It was a friend who told Eden Phelps to check out the WFLC. Ms. Phelps owns an acting studio and in the past has worked as a freelance artist. When she came to the centre she had little confidence about money management.

"I wanted to get a better sense of control over my finances. I was living from feast to famine: When money from classes or large contracts came in I would spend quite quickly. In leaner times I didn't have enough money."

WFLC helped Ms. Phelps create a budget and long-term plan. "I actually found I was making more money than I thought I was. Now I pay myself on the first and on the 15th, as if I had a regular job. In the first six months of the plan I managed to save \$10,000."

She was surprised at how little she had to change her lifestyle. In fact, she now comfortably spends more money than she ever used to, minus the accompanying guilt. And she made it a point to tell all her friends.

The most financially independent women? Women in their sixties. "Young women still have the Prince Charming syndrome," Ms. Mizgala says, "They think someone else will do it for them."

Ms. Lovett-Reid saw the shift happen when her 76-year-old mother became the primary planner.

"I used to call her and she'd ask, 'when are you coming for dinner?' Now, it's 'What do you think about the dividend yield on Canadian banks?' If TD's stock price moves at all she'll call and say, 'What's up?' Those are conversations we just didn't have growing up."