

Rich Thinking

*The first global study in the
Rich Thinking series*

Financial lives of girls and women

WHITE PAPER

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ABOUT BARBARA STEWART

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Barbara is a past instructor for the CFA program sponsored by the Toronto CFA Society, as well as the CFP Program sponsored by Sheridan Institute of Technology & Advanced Learning. Her portfolio reviews have appeared in the Toronto Star and other media. Barbara dedicates substantial time and energy to her position as a board member of not-for-profit organization Credit Canada. In addition, she creates educational events that give her the opportunity to lecture on a topic she is passionate about – financial literacy. All of these activities contribute to Barbara's ability to deeply understand her clients' unique qualities and circumstances.

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INTRODUCTION

This white paper has been researched and written during a period of virtually unprecedented uncertainty and instability in global financial markets. Times of crisis are never pleasant to live through, but they seem to have encouraged Canadian women to become more willing to discuss their feelings and behaviours around finances.

One day last winter while I was perusing yet another article about under-confident, disgruntled female investors, I became very curious about the strong disconnect between what I read so frequently about women and my practical day-to-day dealings with them. For as long as I can remember, surveys report similar findings – some version of: women are unhappy with their financial advisors, they think financial firms ignore them, they leave financial planning to the men in their lives, etc. One gets the distinct impression that women are under-confident, meek indecisive individuals that hide in the shadows.

If these findings are so prevalent, why do they not resonate with me and my female clients? Perhaps this is just the way we talk about ourselves? Women, by nature, will openly admit self-doubt. Is it possible that the surveys ask women to describe themselves rather than their actual behaviour? I have to admit that I recently had a client tell me she was “*pathetic*” with her finances yet she had just successfully negotiated the sale of a multi-million dollar business! And countless times my female clients tell me they “*should*” learn more about money matters when in fact they already have a solid level of financial knowledge.

Is what women **SAY** about their finances different than what they actually **DO** about their finances? How have we been defining confidence?

There was one way to find out. I decided to commission global survey firm Angus Reid to poll 1,000 women across the country. The goal: to reframe the questions and get to the reality underneath the illusion. The survey was crafted in such a way to measure the explicit differences between what women **say** and what women **do** regarding their finances. In addition to the survey, I conducted focus groups and many one-on-one interviews both of which added further depth, insight and colour to the project. It is time to challenge the prevailing ideas on this topic and raise some useful questions for further discussion.

I invite you to enjoy this paper and keep an open mind to the possibilities!

FINDINGS AT A GLANCE

A clear majority of women describe themselves as confident in financial or investment matters. Our research has determined that today's woman:

1. Is honest about what she knows and how she feels.
2. Is loyal to her chosen advisors.
3. Takes care of most of the family finances.
4. Reads the financial section of the newspaper.
5. Talks to her children about money so that they will know as much or more than she does.

Paradoxically, while women are in fact confident in financial matters, many persist in using self-deprecating language when asked about their ability to manage their finances. This outdated script is not useful for women and their finances and it is not consistent with reality.

This paper is a call to action for all women to be more conscious and to tell the truth: they are in fact capable of making decisions about how their finances will best be managed.

HOW DO WE DEFINE CONFIDENCE?

How does a confident woman behave with her finances?

1. She is honest about what she knows and how she feels.
2. She is loyal to her chosen advisors.
3. She takes care of most of the family finances.
4. She reads the financial section of the newspaper.
5. She talks to her children about money so that they will know as much or more than she does.

Our research has determined that these patterns are shared by many of today's women. Unfortunately, many of the studies to date on this topic have failed to 1) consider women's style of communication (often self-deprecating) and 2) examine women's actions instead of their words.

Our survey offers more current data:

1. She is honest about what she knows and how she feels. *53% of women surveyed don't consume financial news even once a quarter. When asked why, no excuses were given: instead they cited lack of interest. But that doesn't make them feel ill-informed – 63% of women feel very or moderately confident.*
2. She is loyal to her chosen advisors. *Almost all women rank the service and advice they receive from the banking and investment industry as 'good' or 'better than good'. Nearly 75% of women have no plans to change their investment advisor.*
3. She takes care of most of the family finances. *Women take more responsibility than their partners for budgeting and day-to-day banking. 52% of women indicate they are responsible for day-to-day banking, versus only 8% who indicate their partner is responsible.*
4. She reads the financial section of the newspaper. *For those seeking financial news, 48% of women get it from a newspaper, almost a third more than television.*
5. She works hard to ensure that her children will know as much or more than she does. *Almost all women believe it is very important to educate their children or step-children in financial matters. The strong majority have taken actual steps to educate their children or step-children in financial matters.*

WHAT MAKES A WOMAN CONFIDENT?

“A clear majority (63%) of women surveyed admit they are confident in financial or investment matters.”⁴ Interestingly, the demographic breakdown does not suggest that this is a function of the new generation of women being more self-assured. In fact, financial confidence seems to increase as we get older. Women over 55 show higher levels of confidence when it comes to money matters – they are more interested and more likely to have a financial plan in place.

In terms of the roots of this confidence, my conversations suggest it often starts with receiving clear messages about money. Confident women received messages such as: *“be financially independent”*, *“live within your means”*, *“make sure you always have your own money”*, *“it isn’t about how much you earn, it is about how much you save”*, *“pay with cash”*, and *“pay off your credit card”*⁵.

Sometimes this direction can be very specific. A highly successful securities lawyer told me that she came from a family with eight kids. Her father sat each of the seven daughters down in their early teens and told them the same thing: *“you will go to university and have a career”* and *“you will be high-functioning and self-sustaining”*. Unsurprisingly, they all are!

Life decisions often emerge from negatives and some women develop their confidence by witnessing difficult situations. An advertising executive shared that when she was young she observed firsthand her mother’s devastation when her husband opted for a life with another woman. As she put it, *“when you watch your mother’s life decline to zero, you learn never to be dependent on anyone for anything”*.

A retired radio producer spoke about her embarrassment receiving phone calls at 7:30am before school from Household Finance Corporation (a company that primarily dealt with the heavily indebted). Her father was depressed and in bed, her mother was in the hospital and the finance company was yelling at her (a 13 year old) about the need to pay off their debt. She has never forgotten the sick feeling associated with being in debt and she now talks openly and honestly about money with her own family – *“as frequently as we talk about what’s for dinner”*.

Although most women I interviewed had incorporated wise sayings from parents into their subsequent financial actions, not all were able to. Incredibly, some parents didn’t even bother to impart even the most obvious nuggets of wisdom about money, yet one or two sentences could have had an enormous impact on shaping a life.

“Over half of women say that their financial knowledge was principally acquired through informal instruction from other people.” Some very fortunate women had role models. They may not necessarily have provided overt financial advice but the subliminal message was *“I could do that too”*. A social media expert who has always been self-employed said she didn’t receive any formal

advice from her parents about money matters. But she does remember that whenever she asked her father for a drive somewhere, he would always say *“Yes dear. I work for myself, I leave when I leave”*. She learned that having a business gave her father flexibility and a sense of freedom... and now she is her own boss too.

One woman’s father suggested she invest her first \$500 earned from her job at Canadian Tire. She fondly remembers him walking her into his broker’s office and she recalls the feeling of opening her first investment account. Her next lesson was to complete her own tax return. Her Dad would leave her in a room to figure it out and she would ask questions where necessary. This woman followed in her father’s footsteps and went on to become a Chartered Accountant.

And have we mentioned grandmothers? So many women ⁶ talked to me about role model grandmothers who shared their wisdom and values with their granddaughters. An estate lawyer recounted how her Gram worked incredibly hard at three different jobs to support an extended family and she always made sure to invest any excess in stocks. Gram often talked about how she wished she could be a stockbroker – she made the world of money seem exciting and intriguing. Today at 92, Gram is still talking about various companies but now has the added bonus of discussing them with her successful granddaughter!

DELVING DEEPER INTO THE CONFIDENT BEHAVIOUR

She is honest about what she knows and how she feels.

53% of women surveyed don't consume financial news even once a quarter. When asked why, no excuses were given: instead they cited lack of interest. But that doesn't make them feel ill-informed – 63% of women feel very or moderately confident.

While it is encouraging that there is the willingness to admit a lack of interest, there still seems to be a sense of guilt in doing so. How can we possibly describe ourselves as confident unless we follow the traditional model of reading about corporate takeovers, analyzing our investment statements and publicly debating our stock picks? The answer women now seem to be giving is that they don't feel they have to play that game in order to feel confident.

“Regardless of their current level of financial knowledge, more than four in five women agree that they ‘should’ be educating themselves more on financial matters.” While education is obviously a major determinant of confidence, I have observed that even some of the most financially capable female professionals will put themselves down when describing their own skills. This tendency to speak negatively – but inaccurately -- about our level of financial literacy is keeping alive the myth that women are not confident. It is a huge step in the right direction to see survey results that show that women are in fact confident in financial matters but they just may not be interested in all of the details.

I interviewed a strategy consultant who explained how she had come “180 degrees” in how she dealt with money issues. The first part of her career was spent advising top level executives around the world on sophisticated financial strategies related to their businesses. She married late at 40; “loved every second” of having her two babies and fell deeply in love with family life. A massive shift occurred where she now leaves all of the finances to her husband and she has absolutely no interest in having any involvement. This is an example of a supremely capable woman making a lifestyle choice. She may be choosing an old model, but it is certainly a conscious decision, one made with heart, and not based on ignorance or lack of confidence.

“Although 85% of us say we should learn more about financial matters,” what is it we actually want to learn? The focus groups and interviews showed that many women would prefer to learn the core issues and then outsource the fine details to a trusted advisor who will sift through reams of financial data and send them only what is most relevant to their personal situation. When women say they know how to manage their money, for many it seems to mean that we feel we know how to manage the relationship with our financial advisors and this allows us to feel comfortable that our money is properly managed. Having the confidence to admit we aren't interested in the details of online trading or our management expense ratio (as examples), frees us to match our level of involvement in financial matters to our needs and interest levels.

Everyone has their own relationship to money. It is courageous to determine what matters most and pick the right advice for you.

She is loyal to her chosen advisors.

Almost all women rank the service and advice they receive from the banking and investment industry as 'good' or 'better than good.' Nearly 75% of women have no plans to change their investment advisor.

Surprise! Women are happy with their financial advisors and most are positive about the advice and service they receive. **"Only 6% of those surveyed said they are planning to change advisors."**

This information is directly at odds with the conventional portrayal of women feeling they are being talked down to and/or ignored. I was shocked by the number of women who were delighted to speak out about their financial advisors. Many are receiving great communication that is tailored to their needs and interests.

Why is this? One public relations consultant explained how she achieved this outcome deliberately by taking control of the relationship from the outset. She directs how much information she receives, what type of information and the frequency of contact. Her advisor is clear on the mandate and communicates accordingly. An executive with a software company said that she *"drives the process"* with her broker and she *"manages him"* to ensure that her portfolio is watched very closely.

It appears that confident women fully embrace their relationships with their financial advisors and they aren't afraid to use their natural communication skills. Further, since communication is key to all relationships, advisors that offer clear, relevant information will foster client loyalty.

What about planning? Discussions between women and their advisors are often centered on planning for the future rather than delving into the intricacies of the stock market. **"Financial security and freedom are almost universally the most important reasons for women to value money."**

In the focus groups there was a resounding consensus that it is more important to have confidence in your plans for a good life than *"to get bogged down in the details of an investment statement or an offering memorandum."*

Interestingly, **"while 75% of women feel that a written financial plan is important, fewer than 30% currently have one in place."**

This remarkable gap warrants further investigation in subsequent research studies (see Section 9) but one thing that came through loud and clear in the focus groups and interviews was a desire for simplicity in terms of planning. As one professional writer put it *"a detailed financial plan sounds like a*

lot of work and I'd rather be doing other things". Another woman abruptly retired from the broadcasting industry when her daughter required brain surgery. She suggested "maybe we shouldn't spend too much time on a complicated financial plan when we all know that life gets in the way of plans".

The detailed financial plan seems to have the same sort of stigma as a last will and testament. We know we should write one but the exercise is daunting and dull. Although imperfect, even estate lawyers will agree that a will sold at a grocery store is better than dying intestate. For many of the women interviewed, a one-page straightforward financial plan would be better than no plan.

This perceived need for a detailed written financial plan may just be another one of those 'should' traps that women are susceptible to. Again, perhaps it is most important to admit that we aren't necessarily interested in the process and find an advisor who will prepare the type of plan that makes the most sense for our situation.

She takes care of most of the family finances.

Women take more responsibility than their partners for budgeting and day-to-day banking. 52% of women indicate they are responsible for day-to-day banking, versus only 8% who indicate their partner is responsible.

These are certainly surprising statistics that also warrant further research. It is unclear as to why women currently handle most of the banking. They have certainly moved beyond buying groceries and staples. As women's economic power within the household has risen ⁷, they claim they now also **"control the purchasing process when deciding to buy a home, a car or undertake home renovations."**

What about personal financial decisions? "Investment advisor and spouse are each consulted by just over one-half of women when making a financial decision." Yet, when it comes down to it, women make the final decision themselves. **"Although almost all women will consult with someone before making personal financial decisions, 90% agree that the final decision ultimately rests with them."**

What about joint finances? "Nearly 90% of survey respondents said they feel that financial decisions should often or always be made with their spouse or partner."

When we tested for their actual behaviour, results showed that **"while 34% of married or common-law women have completely joint finances, 66% have at least one separate account and/or credit card."** This concept was explored in discussions and the most common reason given for the desire for a separate account was *"to avoid difficult conversations"*. No one wants to worry about even the possibility of having to justify a purchase or decision.

She reads the financial section of the newspaper.

For those seeking financial news, 48% of women get it from a newspaper, almost a third more than television.

Although the internet is widely used by women, it is primarily as a source for researching financial choices. More women prefer the touch and feel of a newspaper for day-to-day information: reports of the death of the newspaper industry are greatly exaggerated, at least when it comes to female financial readership. Marketers would do well to take note and position female-focused ads in the business section of the newspaper.

Going deeper in discussions, most women prefer to read about real-life situations. Relationships and family life are central, and we love the articles that walk us through a family's finances and offer advice as to how to get things under control. We can relate to the big picture context and are then interested in how our own financial situation compares.

Rather than putting so much emphasis on hot stocks to watch and yet another conflicting view on the economy, how about some articles on the human elements of business?

As for getting financial information from TV, one woman commented tongue-in-cheek *"I like having business television on in the background when I do the ironing"*. Maybe if there were more real-life stories about family finances she would actually sit down and watch!

Books and seminars/courses are even less popular: **"Only 7% of women read financial books on a quarterly basis, and only 5% have enrolled in a course or seminar in the last year."**

She works hard to ensure that her children will know as much or more than she does.

Almost all women (97%) believe it is very important to educate their children or step-children in financial matters. The strong majority (83%) have taken actual steps to educate their children or step-children in financial matters.

Women are very consistent about encouraging their children to save money, get summer jobs, and set up their own bank accounts. Above and beyond the basics, **"65% say they sit down and talk to their children about financial matters."** Many realize that they could have benefited enormously from this type of discussion in their own upbringing. Learning even the basics about money will help prevent mistakes in the early adult years that can sometimes be very costly.

An equity analyst spoke to me about her first eye-opening experience with money. *"I never had any real training in high school or anywhere else, so when I went to university, I was a complete novice at handling*

my financial affairs. It was hand-to-mouth. I didn't really ever budget. I can safely say that all my lessons were learned through trial and error – for example – I cashed a 19.75% GIC when it had 4 more years of that guaranteed high rate. My father's shock at my stupidity was enormous and prompted me to begin figuring out the power of compounding! I hope my children learn enough from me and never make that kind of mistake."

Sometimes the blow isn't just a financial one, the results of lack of knowledge may hit hard at an emotional level. A seasoned investment advisor told me about when she was in her early 30's living with her boyfriend in England. She inherited \$19,000 from her grandfather and used it as part of the down payment on the house they bought together. *"A couple of years later, my relationship broke up and I had absolutely no regrets walking away from the house or the boyfriend. But to this day I have always regretted losing the \$19,000 that was from my grandfather. I don't have my own kids, but I encourage all my clients to teach their children to be thoughtful about money."*

Many women talked about remembering their father passing an envelope to their mother on payday - her allowance or housekeeping money. Unanimously perceived as demeaning, it motivated many women to take actions so that they – and their daughters -- would never have to rely on a similar sort of 'allowance.'

It is positive that women are talking to their children about financial matters and it is encouraging that **"57% indicate that their children are interested in financial matters."**

So what are we talking about with our children? Sometimes it starts with stating the obvious. One corporate executive told me she became increasingly frustrated that her daughters only seemed interested in *"what can we buy?"* They live in a very expensive neighbourhood and she was concerned that they thought that *"money grows on trees."* She now discusses the concept of *"work"* with her girls and elaborates on her hours, what she has to do in a day, why this is important to her sense of self and how it offers their family a privileged lifestyle.

Recall that **"half of women say that their financial knowledge was principally acquired through informal instruction from other people."** We need to remember that we are these 'other people' for children. Even small efforts to encourage daughters (and sons) to learn about math and money can pay big dividends over time.

It is informative that **"only one-in-ten women have encouraged their children to take courses about finance, or given their children books on financial matters."**

We don't think twice about hiring a piano teacher or a driving instructor; why not hire someone to teach our children financial matters? It might become the norm to have 'money teachers' who talk

to children at a young age about the concept of earning an income and having a pension or retirement savings. If these ideas become understood early on there will surely be much higher levels of financial literacy.

To quote Theodor Seuss Geisel (aka Dr. Seuss):

“Books for children have a greater potential for good, or evil, than any other form of literature on earth... The new generation must grow up to be more intelligent than ours” ⁸ .

It is encouraging that financial literacy is now a hot topic with the federal and provincial governments. There is a strong possibility that education about money will become a formal part of the school curriculum in the very near future.

CONCLUSION

A clear majority of Canadian women are confident in financial and investment matters. They take care of most of the family finances. When it comes to personal finances, they may consult others but ultimately make final decisions on their own.

Women are highly confident in financial matters, yet paradoxically they often use self-deprecating language when asked about their ability to manage their finances. Speaking from this outdated script doesn't match their real world behaviour, nor does it help women achieve their financial goals.

Women need to stay true to their inner confidence and work hard not to get distracted by embedded cultural or industry influences. It is essential that they focus on what matters most to them when it comes to their finances. Over time, this will put women in a position of strength. Financial institutions and media will be forced to learn to speak their language and provide women with relevant financial information that is consistent with their values.

This paper is a call to action for all women to be very conscious and tell the truth – they are capable of making decisions about how their finances will best be managed. They will choose an active or a passive role depending on their level of interest in money management. Lastly, they must remember to be role models and encourage their children to develop confidence in both speaking about and in managing their financial lives.

METHODOLOGY

From August 3rd to August 9th, 2010, Angus Reid Public Opinion conducted an online survey among a sample of 1,006 women who are Angus Reid Forum panel members. The panel is a highly engaged community with industry leading response rates and is researched with state-of-the-art sampling techniques, combined with deep profiling on demographic, behavioural and attitudinal characteristics.

The full dataset has been statistically weighted according to the most current region, age, and education Census data to ensure a sample representative of the entire female adult population of Canada. The margin of error is + or – 3.1%, 19 times out of 20. Discrepancies in or between totals are due to rounding.

Barbara Stewart additionally conducted 25 one-on-one interviews and 6 focus groups totalling more than 70 attendees with a variety of Canadian women in order to provide anecdotal input to support the quantitative element of this white paper.

ACKNOWLEDGMENTS

Barbara Stewart would like to thank the many individuals who devoted their time and effort to provide Angus Reid with the data collected in this important survey. In addition, Barbara would like to thank all of the women who participated in the interviews and focus groups as well as those who provided necessary feedback during the process.

POSSIBLE FURTHER RESEARCH DIRECTIONS

Although I believe the material presented in this white paper is a major step forward for research on women and finance, there are several areas that warrant additional exploration, and subsequent research projects have been identified as follows:

- i) Why are women taking responsibility for 52% of household banking in Canada? What is behind the upward trend in this statistic?
- ii) What would constitute an ideal written financial plan that women would take the time to prepare? Is a one-page simplistic plan in fact a better offering?
- iii) What are the ideal ways for the investment industry and media to communicate with female investors?
- iv) How do European women differ from Canadian women in their financial lives?
- v) How do women in developing countries manage their finances and what tools are needed for them to progress?

¹ Michael J. Silverstein, Kosuke Kato and Pia Tischhauser, "Women Want More in Financial Services", The Boston Consulting Group, Inc, 2009.

² Libby Kane, "Women Unhappy with Major Financial Planning Firms, Retirement Plans Suffer", Learnvest, Sept 21, 2010.

³ Rebecca Tonn, "Gender Gap Alive, but not well, in Financial Literacy, Planning", The Colorado Springs Business Journal, Aug 14, 2009.

⁴ These words inside double quotes and **bold face**, and subsequent words in that format throughout the paper, are taken directly from the Angus Reid survey results, Aug, 2010.

⁵ These words inside double quotes and in *italics*, and subsequent words in that format are quotations from women throughout the paper, and are taken from one-on-one interviews conducted by the author.

⁶ In the interviews and focus groups, grandmothers were cited as a key influencer second only to fathers.

⁷ In Canada, 18% of dual-earner wives are now their families' primary breadwinners when measured in hourly earnings, bringing in more than 55% of the household income. This is up from 14% in 1997. Catalyst, "Buying Power", February, 2010.

⁸ Michael Saler, review entitled "Cat Studies" in the Times Literary Supplement, September 24, 2010.