

Women's Reluctance to Take Charge of Their Finances

A financial planning colleague of mine, who has recently written a book on women and money, was invited to a women's charity event in an affluent Florida community to sign and sell her book. She set up her table with flowers, chocolates, handouts, an engaging slide show, and of course, the book. She then sat back to observe the room full of ladies as they shopped among the tables, all of which offered something of appeal to women. These offerings included jewelry, silk flower arrangements, cupcakes, even sample breast implants that the shoppers were encouraged to feel. "They feel so real!" could be heard over and over again from anywhere in the large room.

The traffic to my friend's table was more or less what she expected. The chocolates were a hit, but decidedly less so the book, or even the opportunity to spend a few minutes talking about its subject matter. Several of the women commented that this was a book "they really needed," but quickly moved on to the cupcakes. One woman, beautifully coiffed and carrying a Coach handbag, said brightly as she flitted past the table, "There's no point talking about money, because I don't have any!"

Clearly there is something going on here that deserves a closer look. Why do so many women refuse to talk about money matters, even when they know it is important to do so? Why, when women's economic and financial power is growing rapidly, and with it, the complexities of tax, investment, and estate management, is their willingness to take control of their finances not keeping pace with their need?

The reluctance to take money in hand, so to speak, is certainly not true of all women, nor is it only a woman-thing. There are plenty of men in financial denial, and in fact, research shows that women are likelier than men to seek out the assistance of a financial advisor, particularly when they face a crisis, such as divorce, death, or a job loss. Nevertheless, the reasons given by women for not dealing with their finances, and their feelings about money, are often qualitatively different from those of men.

Behavioral economics – the study of how supposedly rational individuals often make irrational money choices – has identified at least one important attitude that separates the boys from the girls: namely, the factor of confidence. Women, generally speaking, approach personal finance, and investing in particular, from a starting point of under-confidence. Men's set point, by contrast, is one of financial overconfidence.

Comments made by women about their reluctance to deal with money typically run along the lines of:

It's too technical/complicated/confusing...
I don't know enough to make good decisions...
I do not have the time for this...

All these explanations betray a lurking doubt on the part of women that personal finance is something they cannot do – it’s bigger than they are. Men, on the other hand, are more apt to minimize the complexity of personal financial management or to claim expertise on the basis of knowing a few facts or principles. Interestingly enough, the antidote to both the under- and over-confident biases is education. The more women learn about investing, capital markets, and finance, the more comfortable they become with the inherent uncertainty of financial decision-making. The more men learn about these same subjects, the more cautious they become about making rash or overconfident financial choices.

We take these findings seriously in our approach to financial planning, and are committed to educating our clients, as well as helping them make prudent financial decisions. We believe that women, in particular, face different financial issues than their male counterparts. Some are as a result of biology, culture, and our labor markets. For example, women’s longer lives, their predisposition to be the primary caretakers of children and the elderly, and their shorter workplace tenure and lower pay, mean that women often accumulate less wealth during their lifetimes, but need more, than men.

But we also know there is a less visible side to women’s unique financial needs. The way women think, feel, and talk about money is different, and we believe it is imperative to take these softer realities into account.

Maybe you can relate to those women at the charity event, passing by the “money table” in favor of more pleasurable and immediate concerns. It’s more than likely you know a woman – a friend, a daughter, a mother, a colleague – who is uncomfortable engaging with the subject of personal finance. Let us help those important people – be it yourself or others – begin to talk about money in a safe, and meaningful way.

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This column is produced by Directions For Women and is provided by Kelly Stanley, a member of the Directions Community.

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