Women, wealth and winning at investing

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As we celebrate National Women's Month, let's not only honour the remarkable achievements and resilience of women but also embrace the opportunities for financial empowerment. Women's Month also allows us to reflect on the unique financial challenges women face and highlight how smart financial planning and investing can empower women to secure their financial futures.

Why women have different financial needs

Statistically, women live longer than men, meaning women need to plan for more years in retirement, requiring larger retirement savings and increased healthcare costs in their later years. Despite this, women often retire with 30 to 40% less money than men, according to the World Economic Forum[1].

Women are more likely to take on caregiving responsibilities, whether it's for children, ageing parents, or sick family members. These caregiving duties often cause women to interrupt their careers, reduce their working hours, or leave the workforce altogether. As a result, they may contribute less to retirement savings, experience slower career growth, and face greater financial challenges over time.

The combined effect of these factors means women must adopt tailored financial strategies to account for their unique challenges. Additionally, with the growing number of female-headed households, women are increasingly responsible for their own financial well-being.

Time to stir the pot - who's better at investing: men or women?

While it might seem tricky to answer, research shows that women consistently come out ahead in the investment game.

According to a study by Warwick Business School, women investors outperformed men by an average of 1.8% annually over three years[2]. Meanwhile, Fidelity found that women outperformed men by 0.4% annually[3]. Now, 0.4% might not seem like much but let's not underestimate the power of compounding. Over time, this seemingly small margin can accumulate into substantial wealth.

Why are women such great investors?

Several factors contribute to why women often see better investment outcomes:

[1] Source: World Economic Forum, "The scary facts behind the gender pension gap", published 7 March 2018.
[2] Source: Warwick Business School "Are women better investors than men?" published 28 June 2018.
[3] Source: Fidelity Investments "2021 Women and Investing Study" data as at January 2011.

- **Risk management:** women tend to be more conservative and risk-aware when it comes to investing. A study by BlackRock found that 72% of women rejected investments with higher-than-normal risk, compared to 59% of men[4]. This more cautious, measured approach helps women avoid high-risk, high-volatility investments. While it may seem slower compared to riskier strategies, this often leads to more stable and consistent returns over time.

- **Diversification:** women are more likely to build diversified portfolios, spreading risk across different asset types, geographies, and sectors. By avoiding the trap of putting all their eggs in one basket, this approach reduces the risk of significant losses and enhances long-term performance.

- **Long-term perspective:** rather than chasing quick wins or the latest hot stock tip, women are more likely to adopt a long-term investment strategy. They prioritise steady, sustainable growth over time, understanding that wealth-building is a marathon, not a sprint. This patient mindset allows them to stay the course, even during market turbulence, without being derailed by short-term losses or flashy trends.

- **Staying invested:** women tend to trade less frequently than men, allowing their investments to grow without being affected by emotional decision-making. According to the Warwick study, women made an average of nine trades per year compared to 13 for men, reducing the likelihood of impulsive mistakes.

- **Thorough decision-making:** women are often more diligent and less confident when making financial decisions. This can work in their favour, leading them to conduct more thorough research before committing to an investment.

Practical tips for female investors

Financial planning is one of the most effective ways a woman can secure her future independence and well-being. Every woman should prioritise building a strong financial plan. Here are some practical tips to get you started:

1. **Start early:** the earlier you begin saving, the more time your investments have to grow. Even small contributions made early in your life and career can significantly benefit from the power of compounding.
2. **Stay committed:** achieving your long-term financial goals requires dedication and consistency. It is crucial to stay invested and resist the urge to make impulsive changes due to market fluctuations. Consistency is key to weathering market ups and downs.
3. **Define your goals:** start by setting clear financial goals. Whether you're saving for retirement, a home, or your child's education, knowing what you want to achieve makes planning easier.
4. **Engage a financial adviser:** regularly reviewing your financial plan with a trusted financial adviser ensures you're on track toward achieving your goals. A financial adviser can offer valuable insights, help you navigate complex decisions, and manage your emotions during market volatility. Think of them as your financial GPS, guiding you through both smooth and bumpy roads.
5. **Understand your risk tolerance:** knowing your risk tolerance is essential for creating an appropriate investment strategy. Consider your financial goals, timeline, and comfort level with potential losses when selecting asset classes. A risk profile analysis can help ensure you're investing in the right mix of assets alongside your investment time horizon.
6. **Do your research:** before investing, research the available investment products to ensure they fit your needs, and time horizon and are tax effective. An informed decision is a smart decision.

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[4] Source: Moneyweb "What makes women better investors?" published 10 August 2023.

7. **Emergency fund:** having an emergency fund is crucial for managing unforeseen circumstances. Set aside money in a readily accessible account to cover unexpected expenses without disrupting your long-term investments.

Conclusion

With a clear plan, a commitment to long-term goals, and a cautious approach, women are not just securing their financial futures - they're setting a benchmark for success. Start early, stay committed, and make informed decisions to pave the way for your financial triumphs. After all, investing wisely isn't just about growing wealth; it's about building a future where you can truly thrive.

Each investor is unique, with distinct financial goals, time horizons, and tax considerations. It is crucial that investors carefully assess their own financial situation and seek reputable financial advice before making any investment decisions. A qualified financial advisor can help tailor your investment strategy to your specific needs, ensuring that your decisions align with your long-term objectives and risk tolerance. Remember, informed choices today can significantly impact your financial future.