



Investing

## Why Women Must Invest More Aggressively

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Women have made a lot of strides in this country, but they face significant inequalities when it comes to finances: they usually earn less, have shorter careers, and live longer than men. But these difficulties don't affect just women. It should matter to anyone whose personal finances are at all intertwined with a wife, girlfriend, daughter, mother, sister, grandmother, granddaughter, etc. And it's a safe bet this excludes few investors.

Women are forced to play catch-up from the moment their working lives begin. Just one year out of college, the average female graduate working full time will earn only 80% as much as their male counterparts, according to the April 2007 study Behind the Pay Gap, released by the American Association of University Women. And the gap only widens from there as women who are 10 years out of college earn an average of 69% of what men earn.

Over time this adds up to a lot of lost money. In fact, a 25-year-old woman with a college degree will earn at least \$500,000 less than a college educated man over a lifetime, according to the National Endowment for Financial Education

This discrepancy in pay is compounded by the fact that women spend more years out of the workplace than men. According to the AAUW study, 10 years after graduation 23% of the women who had children were out of the work force, while 17% worked part-time. Those same stats for men with children were only 1% and 2%, respectively.

### Time to Get Aggressive

Unfortunately, waiting for the inequities of the real world to balance out is not a viable option when investing and preparing for retirement. Women do have time on their side to compensate for the shortfalls, but this can be a mixed blessing.

According to the U.S. Department of Health and Human Services, women in the U.S. have a life expectancy of 80 years from birth, compared with fewer than 75 for men. That means women must save for an average of at least five years longer than men. But it also means five more years of investing -- time that can be used to close the gap.

### Changing Fear Into Motivation

Despite the multitude of studies underlining these difficulties, "women are still not up to speed," says Barbara Stanny, author of several books on finance for women, including Prince Charming Isn't Coming: How Women Get Smart About Money and Secrets of Six-Figure Women.

Stanny tries to help women address the pay gap by overcoming their financial fears. She says she is on a crusade "to get women to wake up and make money a priority before they are jolted awake" like she was.

"The fear tactics may get women's attention, but it's not motivating," Stanny says. "Women need to see the excitement and possibility of what they can do. Money gives them the ability to control their lives, and it's not as difficult as they think."

Born to a wealthy family as daughter of the "R" in H&R Block," Stanny was told by her financially astute father not to worry about money -- not just because she was rich, but because she was also a woman. This was not the best advice as her first husband turned out to be a compulsive gambler whom she allowed to manage her money for 15 years.

"I lost a fortune," she says, as she found herself facing taxes, bills and penalties exceeding \$1 million. And she had to do this alone as her father wouldn't lend her the money, something she says was "probably the best thing he could have done" because it taught her financial responsibility, albeit the hard way.

## **Reversing the Trend**

Stanny says that while money knows no gender, the delivery of financial advice to women needs to be different than it is for men. For women, money is an emotional topic, and they need someone to discuss it with, she says. "I think every woman should work with a financial adviser. We need to understand the decisions we make and a good adviser will confront irrational fears and beliefs."

"Our attitudes to money are inherited from our parents," she says. "My father honestly believed he did not want me to worry about money. But I think he knew on some level that it was time for me to grow up." Stanny believes strongly that taking financial responsibility is a rite of passage into adulthood. "Women, even young women, still have this dependency or believe that someone will take care of them. It's insidious."

To go from deer-in-the-headlights to financially savvy, she says she had to look at what was holding her back and why anything financial related made her eyes glaze over. Once she saw what her problem was, she says she "got smart" by interviewing women who were smart with money. "Women need to hear from role models."

## **Institutional Help**

In recent years, an increasing number of banks have started offering financial information and programs designed specifically for women.

Four years ago, Coral Gables, Fla.-based Gibraltar Private Bank and Trust noticed that its female client base was lacking, even though surveys indicate women often hold their family's purse strings. So the bank launched an education/networking program called Wise Women, which has opened in Florida in Ft. Lauderdale, Miami and Naples with one soon to debut in New York City. "We see it as a relationship-building tool," says Deborah Koch, senior vice president of marketing for Gibraltar. "They are able to trust us enough to talk about their financial insecurities. Often they will confide about getting a divorce or their husband is sick and they are scared and nervous about their financial future."

Koch adds that, by design, the discussions often aren't heavy on the financial information and jargon. Topics include how to create and pass along a family heirloom while avoiding family fighting; how to buy, lease and sell a car; and how to put a family philanthropy project together. "We are finding that women are more involved in finances, but still look to the husband for approval," says Koch. "We are hoping to empower women to feel competent and confident in making these types of decisions."

## Take Action

As Stanny says, all the gloom and doom studies don't do much to change women's financial status. That takes action. Here are some tips that can help:

- **Don't be so conservative.** Studies show women are more conservative investors than men, when in reality they need to be more *aggressive*. Taking an overly conservative approach increases the chances that inflation will erode your retirement savings. Take the extra time that longevity has given you, and don't be afraid to invest in growth-oriented stocks. The longer you have to invest, the easier it is to ride the market's ups and downs.

Since 1925, according to Wachovia, the chances of losing money invested for any one year has been 28%. But hold an investment for five years, and the chance you will lose money falls to 10%. More than 10 years, and it's 3%. Over 20 years: 0%.

- **Get yourself a financial adviser.** You don't have to navigate your financial course alone. A good adviser will do more than just tell you how to invest; he or she will sit down with you and discuss your life's goals and come up with a clear, sound strategy for achieving them. And, just as importantly, they can help take the fear out of finances.
- **A little bit can add up.** You don't have to have a lot of money to invest. Some mutual funds have minimum investments of as little as \$50 a month. Setting aside even a small amount for your retirement on a regular basis will pay off in the future.
- **Stuff your 401(k).** If your employer offers a retirement plan, participate as much as you can. If your company matches, try to at least invest as much as the matching limit to get the most "free money" from your boss.
- **Think of yourself first.** Almost any parent's instinct is to think of their children's well-being ahead of their own. While this is laudable, it doesn't apply to saving for retirement; you should do this before you save for your kids' education. There are all kinds of ways to borrow money to pay for school, but no one will lend you money for your retirement.

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*Michael Katz joined TheStreet.com in 2007. Michael has previously worked as a reporter at Forbes and an editor for two custom publishers, SmartMoney Custom Solutions and HNW Inc. He also worked in London as a freelance media reporter and correspondent for Broadcasting & Cable magazine. Michael has a B.A. in English from the University of Virginia. TheStreet.com has a revenue-sharing relationship with Amazon.com under which it receives a portion of the revenue from Amazon purchases by customers directed there from TheStreet.com.*

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