

Why do women lack personal finance confidence?



Devin Loring, @DevinLoring December 4, 2015



Many women lack confidence in their ability to make decisions on their personal finance.(Photo: Getty Images)

Studies show that women are less confident than men in some areas of planning when it comes to managing money.

In the case of life transitions, such as marriage, divorce or a death in the family, money can become the thing that causes confusion and anxiety.

A recent study by Prudential reported only 20 percent of women feel “very well prepared” to make smart financial decisions. Another Prudential study reported women were twice as likely as men to describe themselves as “financial beginners.”

“It’s less than it was years ago, but so many times women, when they’re sitting down with their husband and their financial advisers, they say, ‘Oh, no. he handles that,’” said Victoria Tomaro, of Tomaro Financial Group in Wall.

Financial planning wasn't her original plan

Tomaro said she insists both spouses sit down with her when discussing finances.

“What if something happens to the husband? What if circumstances change in their life? The worst thing women say is, ‘I don’t know what we have,’” Tomaro said. “I’ve seen women that don’t know how to write a check, I know it’s hard to imagine that. ... When husbands pass they literally don’t know how to pay the bills.”

Of course, this isn’t representative of all women. Tomaro said “tons of husbands” say their wife handles the finances, although Tomaro advocates that both parties take an active role in planning.

Lacking confidence

Forty-four percent of single women think they’re behind when it comes to saving for retirement, while 51 percent of divorced or widowed women think they’re behind, the Prudential survey said.

A 2015 State of U.S. Employee Retirement Preparedness survey said 83 percent of women and 76 percent of men either don't know they're on track to meet their retirement goals, or haven't run a projection to see if they are.

“Many single women know they have to invest and they make statements (to financial planners) like, ‘I’ll give you this much to play with,’” Tomaro said. “No, we’re not playing. You really need to sit down and be interested in addressing their goals.”

Carol Cangialosi of Ocean Township said that after 41 years of marriage, she got divorced and needed help organizing her finances.

“I needed to have a game plan on what to do with my money, how to expand my money so it would coincide and provide me with the lifestyle I was used to having,” she said. “I was like a babe in the woods, I really needed some guidance. I knew a little bit about investments, but not enough to put my life savings in them.”

Cangialosi sought out Tomaro for financial help to come up with a plan for her monthly income, mortgage payment, taxes and bills.

“The biggest dilemma for a senior citizen is, do I live longer than my money or will my money outlive me?” Cangialosi said. “Actually, I think young people should sit down with a financial planner.”



Wendy Murphy is a financial planner at the Murphy Group at Morgan Stanley in Shrewsbury. (Photo: Courtesy of Michael London)

Transition

Major life transitions, such as graduating college, having a child, inheriting money, getting married or losing a spouse can lead to feeling unsettled or confused, said Wendy Murphy, of the Murphy Group at Morgan Stanley in Shrewsbury.

It can be helpful to give yourself a designated time frame to process the change where you don't tackle major decisions.

“(You're) only going to deal with immediate essential decisions. Help yourself, get a team to help you through this,” Murphy said.

That team can help create some order.

A financial planner can help organize what the client owns, how much they spend, where they want to be financially, calculate net worth and help update and organize documents.

“I think the main thing is helping people to help themselves, to really just get real wherever you are now,” Murphy said. “Love, health and money, those are the things we all need to survive. Taking the time to really figure out your financial life is so important.”

Women and investing

Americans, in general, tend to be risk averse, but women are more so than men, according to Prudential.

Most women give themselves a grade of “C” when it comes to their knowledge of investments. After that, women grade themselves “F,” “D,” “B,” and “A” consecutively.

Out of all the financial matters on the survey, including managing debt and saving for retirement, women said they know the least about investing, with only 7 percent grading themselves with an “A.”

Murphy said she suggests clients should be “intentional stewards of their wealth” — concerning how you save, spend, invest, and borrow money.

“Sometimes, when you’re married, there’s just a division of labor. It isn’t necessarily that women don’t have experience, usually you just divide up work,” Murphy said. “Sometimes, one person will be the non-financially dominant spouse. In those cases, yeah, it can be difficult, and it’s a lot of work going into getting educated.”

A 2015 Fidelity survey revealed that 92 percent of women want to learn more about financial planning and 75 percent want to learn more about money and investing.

Still, fewer women are working with financial professionals, Prudential revealed.

Only 31 percent of women consult a financial professional, down from 48 percent in 2008, even though more than half the women who use an adviser consider themselves on track or ahead of schedule in planning and saving for retirement, versus only 23 percent of those who do not use an adviser.

“A lot of the focus on financial planning and family financing has usually revolved around the man in the situation, you know, because the woman is doing everything else,” Cangialosi said. “I think women need to pay more attention.”