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10 MYTHS ABOUT

WOMEN & WEALTH

INTRODUCTION

Unfortunately, there's been an unspoken myth for decades that the investment world is meant for men. While investing can be somewhat of a daunting task, it doesn't mean women can't master the skill.

If you're a first time investor in your 20s, 30s, or even 60s and you haven't started investing yet, today is the best time to start. Once you do, you'll likely find that it's not as confusing as the bankers and economists make it out to be.

To make sure you don't fall victim to any old myths about women and money, we have provided below a number of common misconceptions and why they're simply not true.

MYTH #1: WOMEN ARE NOT INTERESTED IN INVESTING.

Just like men, every woman has different interests. Some are curious about investing and some are not.

However, by and large, women are just as interested in investing as men are. In fact, according to a 2017 U.S. Trust Insights on Wealth and Worth survey, 45% of women respondents indicated that they are interested in investing. Women are especially interested in "impact investing" – in other words, investing that creates social or environmental impact.

So don't feel like an outcast if you find yourself curious about investing. You are hardly alone.

MYTH #2: WOMEN ARE NOT AS GOOD WITH NUMBERS AS MEN.

In fact, it might be the opposite. According to one study of grades covering 1.6 million elementary, high school and university students, girls outperform boys at all ages. This includes science, technology, engineering and math subjects.

Source: "Girls get better grades than boys, even in STEM subjects" - by Maggie Fox, NBC News, Sept. 25, 2018: https://www.nbcnews.com/health/health-news/girls-get-better-grades-boys-even-stem-subjects-study-finds-n912891.

Unfortunately, women tend to believe the myth. According to AP Central, 45% of respondents adhere to the stereotype and report that men are "better at math" than women and less than 1% report that women are better than men. The belief results in what psychologists call a "stereotype threat," which can result in the performance of even high-achieving female math students being impaired when taking math tests.

Source: "Women and Mathematics: Stereotypes, Identity, and Achievement" - AP Central: https://apcentral.collegeboard.org/courses/resources/women-mathematics-stereotypes-identity-achievement

This shows you the importance of not being duped by this myth. Believe in yourself, not what society's stereotype may say about you.

MYTH 3: MEN ARE BETTER INVESTORS THAN WOMEN.

This myth has permeated the financial services industry for decades. But it is simply not the case.

Studies show that female investors tend to outperform male investors by an annual average of 0.4%. This doesn't seem like much, but it accumulates to a significant financial difference over time.

Source: "Women, Men and Investing: We Debunk the Myths" – The Humphreys Group, 2/5/2020: https://humphreysgroup.com/women-and-investing-myths/

For example, let's say a man and a woman each invest $100,000. Assuming a 4.6% average annual return for the man and a 5.0% average annual return for the woman, her investment will have grown to $432,200 after 30 years, while his will be valued at only $385,400. That's nearly a $50,000 difference.

Why do women tend to do better? One reason is that men tend to buy and sell their investments more often. This can be detrimental because the more an investor trades, the more he risks making an investment right before it decreases in value or selling the investment right before it gains momentum. Because women are more likely to hold on to their investments throughout market fluctuations, they capture more growth over time.

Why are women more stable investors? Because they usually conduct more research before investing and maintain a long-term perspective more often. Also they tend to view investing less as a game to be won and more as a means to accomplish their goals.

MYTH 4: WOMEN NEED MORE FINANCIAL EDUCATION BEFORE THEY CAN INVEST.

Gender has nothing to do with the need for financial education. Everyone needs it.

Financial literacy is especially important today, for both men and women. Why? One reason is that consumers are being asked to choose among a growing number of investment and savings products. These products are more sophisticated than in the past, requiring consumers to choose among different options that offer varying interest rates and maturities. Making sound decisions about these products requires financial literacy.

Another reason is that Social Security is less certain than in the past and corporate pension plans are being phased out. That means men and women are being asked to shoulder more of the burden for investment decisions concerning their retirement accounts — all while having to decipher more complex financial products and options.

Learning how to be financially literate is not easy for anyone, but once mastered, it can ease life's burdens tremendously.

MYTH 5: UNLIKE MEN, WOMEN WOULD RATHER SPEND MONEY THAN SAVE IT.

Not true. According to a Bureau of Labor Statistics survey, single men outspent single women in overall spending. Men spent an average of $35,018 a year as opposed to $33,786 by women.

Breaking down the spending into various categories, here's what the bureau found:

- **Food:** Single men outdid women. Their annual food bill was $4,173, as opposed to $3,680 for the ladies. They also spent more than double on alcoholic beverages, at $537 a year compared to the women's $234.
- **Clothing:** Females came in first place in this category. They spent an average of $1,140 on a category titled "apparel and services," while men paid $813. Typically, women's clothing costs more than men's even for similar items.
- **Cars:** Men won this category, spending a total of $5,507 a year on personal transportation costs, compared to women's $4,273.
- **Entertainment:** Men and women spent similar annual amounts on entertainment, but they chose to spend those dollars differently. Men spent an average of $835 on "audio and visual equipment and services" but only $206 caring for pets. Women spent $725 on their home entertainment and $488 on their pets.

Source: "Consumer Expenditure Surveys" - Bureau of Labor Statistics, September 9, 2020: https://www.bls.gov/cex/tables.htm

What about when it comes to saving? If you look at the percentage men and women save from their paychecks, women come in first place. A recent Vanguard study found that women are more likely to participate in workplace retirement plans and that they put up to 8% more of their pretax earnings into these plans than men in the same earnings bracket.

Source: Vanguard, Pressroom, 15 Oct 2020: https://pressroom.vanguard.com/#/

MYTH 6: WOMEN ARE TOO RISK-AVERSE TO INVEST.

Think women are more risk averse than men? Consider this myth busted. Eighty-five percent of women believe that risk-taking is beneficial when investing.

This finding would seem to imply women have a healthy appetite for investment risk — and a lot of the time, that's true. But unlike men, women are more mindful about what the dangers are before diving in. They take the time to evaluate whether the reward justifies the risk.

Sallie Krawcheck, former Wall Street executive and co-founder and CEO of Ellevest, explains this by differentiating between "risk aversion" and "risk awareness." It's true that women are often more aware of risk. Women are more likely to be invested in an allocation that diversifies across different investment asset classes, for example, and are less likely to be fully invested in equities than men.

This behavior can put women at an advantage: they're prioritizing diversification over trendy or unsustainable investments, which is a successful long-term strategy.

Source: "Rewriting The Rules: Women Are Not Risk Averse. They're Risk Aware" – The Humphreys Group, 5/11/2020: https://humphreysgroup.com/women-investors-risk-averse-risk-aware/

MYTH 7: WOMEN ARE HAMPERED BY THE GENDER PAY GAP.

The gender pay gap is a real problem, but a double-edge sword. (1) It results in women earning less than men for comparable work, but (2) it becomes a driving force behind why more women should seek to invest.

Because women are earning less than men, they should be taking advantage of every penny by starting to invest right away, building compound interest through a diverse portfolio, and starting to make back some of the money they're not earning from the gap. The sooner you start saving, the sooner you will start harnessing the power of compounding your returns – which is one of the most powerful tools you have at your disposal for achieving financial security.

If money is power, then it's time for women to wake up and realize the true potential they hold in this world. A Bank of America study found that women are now the equal or primary income earners among 40% of high-net-worth couples; and 38% overall, including 48% of millennial women, take the lead on or contribute equally to important investment decisions. The study concluded that women of all ages have a growing impact as wealth creators and decision-makers.

Source: "U.S. Trust Insights on Wealth and Worth" - Bank of America, June 2018: https://newsroom.bankofamerica.com/system/files/2018_US_Trust_Insights_on_Wealth_and_Worth_Overview.pdf

MYTH 8: WOMEN NEED AN IN-PERSON RELATIONSHIP TO INVEST.

Some women may be more confident meeting in-person with advisers before investing. However, the same could be said for men.

What's more is that women are starting to gain confidence in investing online because of women-focused programs. They are able to explore financial options in the privacy and comfort of their own home either on their own through private study or through various online financial forums. Below are four types of forums available for women.

1. **Copy Trading.** Copy trading is investing in the wake of another investor, mimicking their trades in real time. There are several copy trading platforms that feature successful traders whose approaches users can emulate.
2. **Social Communities.** Social communities are networks that promote communication about all aspects of investing, including portfolio tracking and performance comparison and competition. These investment communities live on social media, primarily Facebook and Instagram, and exist all over the world.
3. **Mobile Investment Clubs.** Mobile investment clubs encourage and invite friends, family, and colleagues to join the app, link accounts, and begin investing together.
4. **Subscription-Based e-Learning.** Subscription-based online learning, or e-learning, is already a massive trend in universities and is only gaining more momentum as a result of the COVID-19 shift to online-only education.

MYTH 9: WOMEN DON'T NEED TO INVEST BECAUSE THEIR SPOUSE IS TAKING CARE OF IT.

According to a UBS Global Wealth Management report, almost all women globally (91%) are highly involved in everyday finances, like expenses and bill paying. But almost 60% of women do not engage in the most important aspects of their financial well-being: investing, insurance, retirement and other long-term planning.

Why do so many women focus on the present but ignore the future? In the U.S., women opt out of long-term financial decisions for reasons ranging from "my spouse never encouraged me" to "my spouse knows more" about the topic. As a result, many women are not introduced to the important financial decisions that have been made for them until critical moments in their life, such as divorce or the death of a spouse. The study found that an overwhelming number of widows and divorcees (74%) discovered negative financial surprises when they were forced to take control.

As women around the world live longer, the likelihood of becoming widowed or divorced increases. Inevitably, women who plan for these possibilities will be better prepared. According to the UBS survey, the benefits for women who shared responsibilities with their spouses for long-term financial planning are clear:

- 96% of women report higher confidence in their financial future
- 97% of women report fewer mistakes made with both spouses involved
- 96% of women report being less stressed about their finances

By sharing decisions jointly with their spouses, women can face the future with optimism — and set an example of financial partnership for generations to come.

Source: "Own your worth" - UBS Investor Watch, 3/6/2019: https://www.ubs.com/us/en/investor-watch/own-your-worth.html

MYTH 10: INVESTING IS TIME-CONSUMING.

No doubt, once they get into it, there are many women who will enjoy the process, challenges and strategies of investing, but certainly not all. Maybe you are one of the latter.

Maybe you have it so busy that you think you don't have time to invest. Maybe you don't even have the time to think about thinking to invest. Sometimes just the thought of spending hours and hours researching, learning, and implementing an investment plan is just too much. And then having to watch the financial news and monitor your portfolio.

But that doesn't have to be the case. When done right, investing can be very time-efficient. In fact, one of the best ways to go about investing for both performance and time management is to abide by the following "rules."

1. Keep it as simple as possible by selecting just a handful of well-diversified investments (no need for much research time). Another tactic is simply to invest in an index fund – which is a type of mutual fund or exchange-traded fund (ETF) with a portfolio constructed to match or track the components of a financial market index, such as the Standard & Poor's 500 Index (S&P 500). Or, alternatively, you can opt for a "target-date fund" – a mutual fund or ETF that is structured to grow assets in a way that gradually moves from riskier investments to more conservative options as you near retirement.
2. Automate investing through recurring payments (one-time effort only). You simply set up an automatic transfer from your bank account to your investment account at whatever interval you choose (monthly, quarterly, etc.) and your money is automatically invested at the current price.
3. Don't look at your portfolio all the time. Not only does this tactic save you time, it is also the best way NOT to make rash investment decisions in light of the inevitable ups and downs of the stock market.

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