

Investing: Women and men and money

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 December 25, 2007

One of the biggest differences between men and women? The way we invest—or don't invest—our money.

Anne Rutledge likes to tell about how she introduces herself to men at gatherings. "I'll say [I work] with women and their emotional reactions to money," said the financial counselor. "When I say that to men, I get one of two responses. One is 'Emotional reactions to money? I don't get that' and the other is 'Oh, my wife could really use you!'" Men's reactions hold some truths about the deeper meanings women attach to money—and the differences in how men and women make investment decisions.

In her book "Money: a Memoir," author Liz Perle draws on personal experience to explore why women have an emotional approach to money. She found that it's often a matter of ingrained gender roles and ways of showing love and caring and measuring self-worth. Unfortunately, these attitudes can leave women in precarious financial positions, experts say.

"We bring money ideas from our families," said Trudy Landgren, assistant professor of family, consumer and nutritional sciences at the College of St. Catherine. A 2000 study published by the Financial Planning Association Journal noted that boys are twice as likely than girls to be encouraged by parents to learn about money matters. Intentionally or not, families sometimes imprint on daughters the idea that they should be financially dependent rather than taking risks with their well-being. Landgren, who teaches personal and family finance, advises women that they need to take control of their finances rather than expecting someone else to do it for them.

Think long-term

While many women are comfortable making day-to-day financial decisions, it's often harder for them to think about long-term financial investments. Some women are more comfortable allowing a partner to make investment decisions; others put their faith in Social Security and company pensions. But as tax professional P.A.M. Lesch, EA, knows from her clients, even solid relationships can crumble and jobs can unexpectedly end. "A lot [of women] haven't had to pay attention to [finances] whether it be a partner [handling it] or their business matching funds," she said. "Now all of a sudden they have to look at how they're going to go forward."

Edina financial planner Amy Jensen Wolff, CFP/CDFA, whose clients include many women in transition, said, "Now they're like, 'I really do need to get this figured out now. I'm making some irrevocable decisions and I want to make sure that I make good decisions.'"

Assure your own future

Wolff said women are not only concerned about their own finances but those of their children. "Women think about their [financial] responsibilities in terms of children and making sure that [the children are] secure in the present as well as in the future," explained Sharon M. Danes, Ph.D., and professor of family social science at the University of Minnesota. Danes said that as a result, some women put their money into college funds rather than their own retirement funds, or fund their children's lifestyles even into adulthood.

This can lead to financial difficulties for which these women blame themselves, Rutledge said. "Some women feel like they're not doing an adequate job with their money and that [it] reflects badly on them," explained Rutledge, who runs Money Counseling, a financial counseling service.

Feelings of insecurity and inadequacy are not limited to those experiencing a money squeeze. Call it the bag lady syndrome: "[It's] the fear of going broke and being forced to live on the street in retirement," Wolff said. "I see this when I work with women who make \$30,000 a year or \$300,000 a year. It's a common fear." The reason for that fear? Even women who want to learn about it may be intimidated by the seemingly alien world of investments. "If [women] don't know the right questions to ask and where to go, that causes fear and procrastination," Wolff said.

Just do it

Overcoming that fear and procrastination can reap big rewards. Lynn Ostrem's experience is a case in point. "I woke up one day and I was 35 years old and I didn't have any retirement," Ostrem recalled. "I went to an adult education class and sitting next to me was a little old lady clutching the Beardstown Ladies' [an all-women investment club once famed for their investment acumen] first book." The older woman's enthusiasm inspired Ostrem to form her own group. In 2001, she founded the northwest suburban Crow River Investment Club; today, Ostrem works with other clubs nationwide.

Karin Housley's moment of truth arrived with her fourth baby. "I just went, 'Oh dear! Are we going to be able send all four of these kids to college?'" the Stillwater resident remembered. She bought investment books but decided that doing was better than reading. "If I started an investment club with my friends and actually invested in something, I could understand some of the terminology," Housley explained. The result was Chicks Laying Nest Eggs, an Internet-based, all-women investment club she formed with family and friends nearly 10 years ago. In May, Housley and other Chicks appeared on "The View" while the club's eponymous book has sold out and is currently being rewritten.

Conservative isn't all bad

Although Ostrem and Housley are examples of successful female investors, a 2007 study funded by FINRA (Financial Industry Regulatory Authority) found that women are less likely to describe themselves as confident and knowledgeable about investing and are consequently more risk-averse. More women than men choose conservative investment vehicles like certificates of deposit (CDs), government savings bonds, and mutual funds. But sometimes less confidence is not all bad. A 2001 study, "Boys Will Be Boys: Gender, Overconfidence and Common Stock Investment" by University of Calif.-Berkeley Professor Terrance Odean, found that men's overconfidence in their stock-picking abilities led them to trade their portfolios more often, resulting in lower overall returns compared to women's performances. Ironically, the very traits that discourage some women from investing may actually result in better investments.

"Women tend to be more security-minded," Danes noted, so their decisions are often based on making money to take care of others instead of getting rich. Risk-averse women will also choose their investments more carefully to minimize losses. "Because women are more detail-oriented, they tend to do more due diligence than the guys," said Ostrem, whose investment club is co-ed.

That more conservative, less risk-tolerant view toward investments is a winning strategy—with a caveat: Women need to be willing to invest in their own futures. Sometimes that means letting go of ingrained attitudes about money and learning a new set of skills. The reward is a more secure future, and Housley points out an unexpected benefit. Investing, she said, "is so dang fun!"

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