ModernAdvisor

Women & Money

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Women and Money

International Women's Day is March 8th, and to celebrate, we've got Financial Planners Julia Chung and Sandi Martin weighing in on issues that affect women in financial matters. But don't let the title fool you: these are not "women's issues" so much as they are *people* issues, and in many cases, economic issues. And even if you have a Y chromosome, you should still find the information relevant. In fact, a big part of achieving gender equality and unlocking Canada's economic potential depends on support from male leaders everywhere.

About ModernAdvisor

ModernAdvisor is an online investment management platform helping Canadians reach their investment goals, and is registered in all Canadian provinces and the Northwest Territories. While ModernAdvisor provides investment advice, we do not provide financial planning services. We encourage investors to seek the support of qualified professionals in the areas outside the scope of investment advice.

About Julia Chung

Julia is an independent, fee-for-service financial planner based in Vancouver, BC. Julia is a business columnist at the Gazette Magazine, writes on the JYC Financial blog, and serves as a subject matter expert for BBC Capital. In addition to carrying her CFP, CLU, and FEA credentials, she is listed on the MoneySense Approved Financial Advisor list of fee-for-service advisors.

About Sandi Martin

Sandi is the fee-only/advice-only financial planner at Spring Personal Finance. She moderates the Google+ Canadian Personal Finance online community, co-hosts the Because Money podcast, and writes on the Spring Personal Finance Blog.

About Krysten Merriman

Krysten serves as Marketing Director of ModernAdvisor and has been working in financial services since 2004. Outside of work, Krysten is an avid supporter of women-owned enterprises.

Table of Contents

So Why Do Women Need Financial Planning?

Well, because everyone needs financial planning. But women *really* need financial planning, for a few reasons:

1. We live longer, on average. That means more years of retirement. If you think of retirement as three or more decades of unemployment, you realize how important it is to be prepared.

2. We're more likely to become seriously ill or disabled (partly because we live longer).

3. We tend to suffer financially after divorce or death of a spouse. And women 65 and over are more likely than their male counterparts to live on a low income.[1]

4. We earn less than men, on average, and are more likely to take more time away from work to raise children and care for aging parents.

5. We save less, (in part because we earn less) and we tend not to be as aggressive with our investments, which limits our investment growth over the long term.

> Many women approaching retirement have never examined their financial infrastructure because it wasn't something that their generation did.
>
> I've met many women in banking who only ever had credit in their husband's name, for example. Seems obvious now, but there are still lots of women that it's never occurred to.
>
> Sandi

It's not all doom and gloom, though. Women tend to be happier than men in retirement, even if we are less financially secure. We're more likely to have a robust support network of friends and family, and more likely to seek advice and ask for help when we need it.

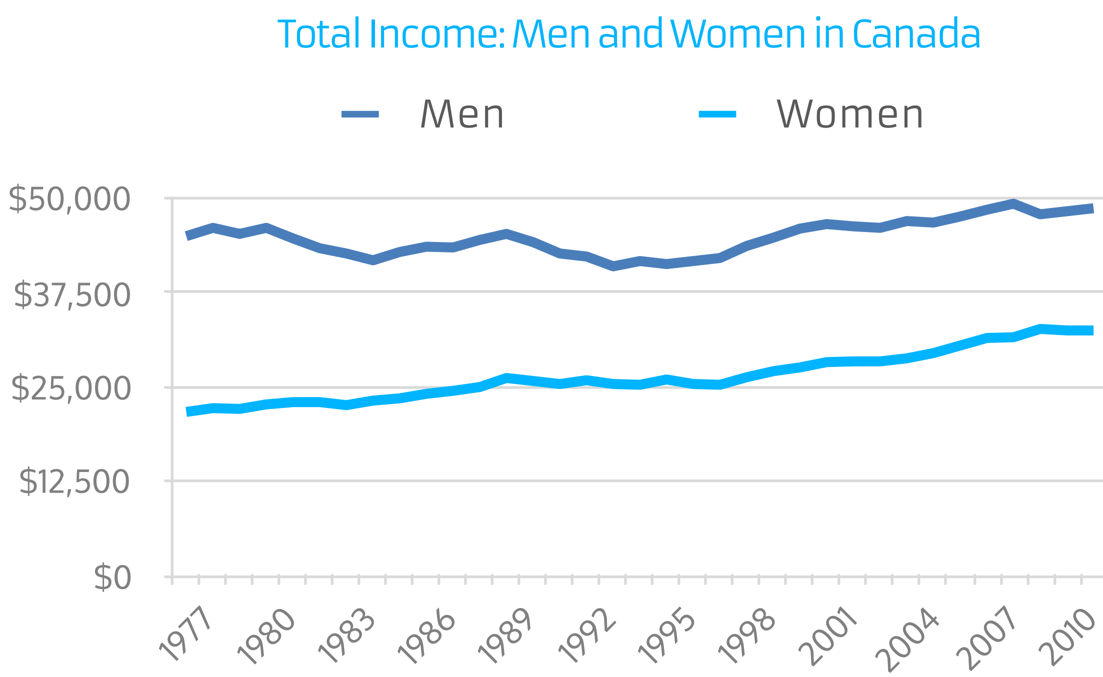
So what can we do?

- Find ways to earn more money
- Tackle debt and feel better about our finances
- Learn to manage our cash flow
- Make a savings plan and stick to it

Sound good? Let's do this.

It’s Time to Earn More Money

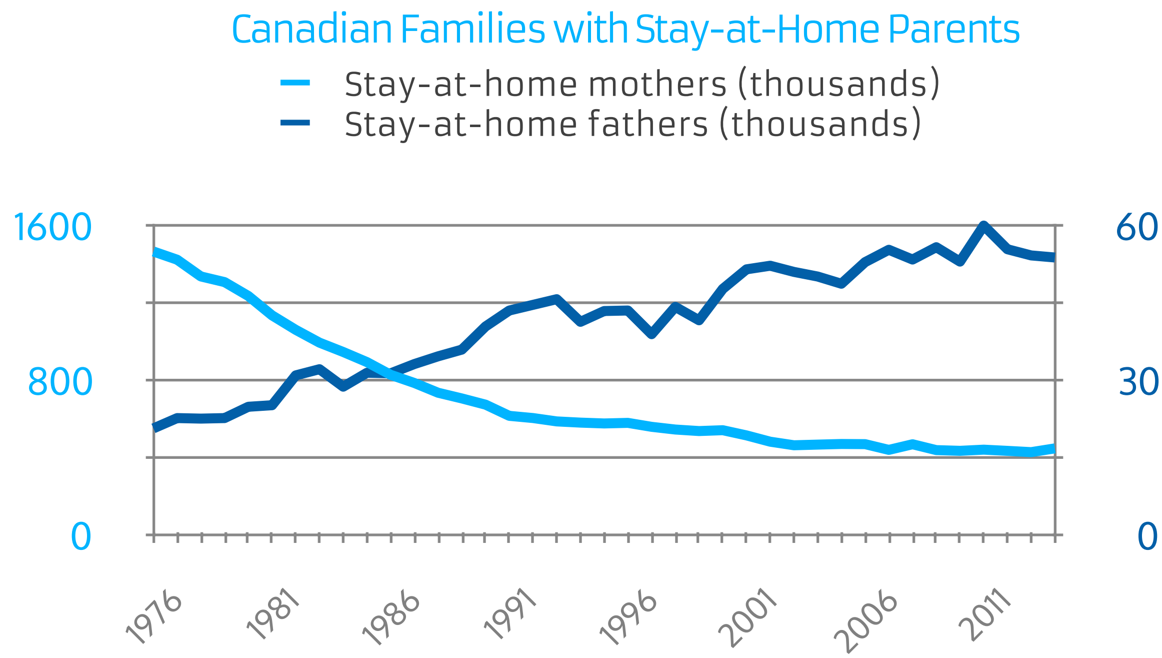
There’s a lot of debate about exactly how big the gender wage gap is, and the causes of it, but it undeniably does exist.



Source: Statistics Canada. Table 202-0407 - Income of individuals, by sex, age group and income source, 2011 constant dollars, annual

Many people incorrectly believe that women earn less simply because they choose less demanding careers and work fewer hours in lower-paid industries. While this is partly true, *less than a third* of this gap is explained by the differences in the productive characteristics of women and men, such as education level, chosen occupation or trade, work experience, number of hours worked, and sector in which we work.[2]

The good news is that there are big cultural shifts happening now - like the growing number of men who are opting to take parental leave and be stay-at-home parents - that will affect the wage gap.



Source: Statistics Canada, Labour Force Survey, 1976 to 2014

BUT – and it's a big BUT – we don't have to sit around waiting for the problem to fix itself (which by most estimates won't happen for a very long time).

Women can help close the wage gap by *hustling for more money*. It's not greedy. It's not selfish. It's business.

Yes, we have to negotiate

Most employees, if they were to ask for a raise, would get one. So why aren't we asking?

Well, if you've ever felt like you you'd be penalized for asking for more money, the sad truth is that you might be. Interestingly, studies have shown that women who *advocate on behalf of others* tend not to be penalized the same way that they are when advocating for themselves. For more about this, we highly recommend reading Sheryl Sandberg's book, Lean In.

While men are expected to continuously be speaking out and moving themselves forward, women have been taught by society to wait quietly until someone calls our names. Part of the reason why we don't move ahead is because we often don't put ourselves forward. In 20 years' time, you don't want to be behind on your savings because you were too polite to ask for what you deserve.

Men are expected to ask. Women, not so much. It can be difficult, on both sides of the table, to put aside those outdated lessons about gender norms. We're all working towards it.

In the meantime, let's talk about how you can get ahead, starting NOW.

Be Indispensable

The best way to get paid well is to be very valuable to the people who pay you. The crazy thing is that most women are already very valuable, but often neither they nor their employers acknowledge it.

Remember that being indispensable at a specific set of tasks generally means you can't be promoted, because you're needed right where you are. Instead, be indispensable at *continuously adding value*. Think of yourself as a member of the company, not as a person who does ONE job. Consider how your company can make things better, do things better, and BE better. Speak up. Engage. Train people to do your job, and ask for more responsibility - and ask for the money that this additional responsibility deserves. Explain your reasoning - why is it in the company's best interest to pay you more to do more? Make it obvious. Oh, and if they don't like your argument, there are plenty of other companies that absolutely will.

> Don't assume that if you're actively being excellent, quietly in a corner, that anyone is just going to notice you and pay you more on merit. From a business perspective, if you'll do more for less money, why would anyone pay you more? Speak up.
>
> Julia

Upgrade your skills

Generally, earnings rise with education level[3], although this is less true for women than for men. There are now opportunities from online providers to upgrade your skills in almost any area. If you can't afford to take time off of work to go to school, take your courses at night and on weekends. Ask people in your company, or in your personal network, to show you how they do that thing you're interested in learning. Most people will be flattered, and will do their best to help you improve your skill set.

Show an interest in developing you, and other people will join the party.

Consider non-traditional options

More education doesn't necessarily need to come in the form of a traditional graduate degree. If it's been a while since you upgraded your skills, there are lots of ways to do so:

- Research specific programs that are in high demand where you live. Search LinkedIn and Craigslist to get an idea of how many openings are available and the compensation that goes along with them.
- Earn licenses and designations within your industry.
- Take some online courses - many of these are free or cheap. Check out:
    - Udemy
    - edX
    - Coursera
    - Lynda
    - Khan Academy

Know your worth

PayScale has a great tool for calculating what your skills are worth in the market you work in. Understand your value not only on a general, market level, but also within the business and industry where you spend your time. This will help you with that logical salary negotiation discussion.

Remember: your employer will pay you as much as they think they have to - that is, just enough to keep you from leaving. It's business.

Build your brand

An excellent reputation is the strongest possible foundation to build your career upon. Why else would prospective employers ask for references? You may look good on paper, but what really matters is what people say about you when you're not in the room. A few words from someone who knows you can make all the difference when someone is considering hiring or promoting you.

Think about how you would like people to perceive you. What portrait do you want them to paint when they are speaking of you? Your words, behaviours, and actions feed into each person's mental construct of who you are. It's one of the reasons why that recommendation to "dress for the job you want, not the one you have," exists. Create the impression in the minds of those around you that you *already have the job*; that you're consistently the best candidate for that thing you want.

Know what you want other people to be saying about you. Then start acting, talking, and working just like that person. Make sure you're in plain sight. Being amazing in a dark corner doesn't sell you. Be amazing in the spotlight.

Don't neglect your online brand. Google your name and see what comes up. Anything? If you don't already have a LinkedIn profile, set one up. Even if you don't think you need one now, it's better to begin networking when you don't need something. Take some time to cultivate connections and support others, and they'll be happy to do the same when you need a warm introduction to the HR manager at your dream company.

Keep your options open

You are not married to your job. Your job is not your soulmate. While you certainly have legal obligations about protecting your employer's interests, you may be surprised to know that your boss doesn’t really expect you to work at the same company for the rest of your life. Your next big promotion (and pay bump) may come from changing companies.

So many women feel bad about this, but we really shouldn’t. As you probably know, it’s much easier to get a job when you already have one. Here’s a hot tip: it’s much harder to ask for raise *once you’re already working for the company*. And yet, it seems so difficult to build up the gumption to ask the question, whether you are in initial salary discussions or if you’ve been with the same company for many years.

Identify the movers and shakers in your industry. Get to know what they’re looking for when they’re adding people to their team. Start developing yourself to have the skills, mindset, and behaviours of the A-level talent on their team. Ask them (or the people around them) relevant questions. Email addresses and phone numbers aren’t that hard to get. Always be building.

Not only does that help you create a network inside of your industry, and allow you the opportunity to spread your wings, it also improves the value that you add to your current company. Businesses need employees like you, who demonstrate interest and self-motivation. Growing your opportunities within the industry is a benefit to an employer who can recognize how to harness and make use of you.

Consider a side gig

Side gigs are an excellent way of earning extra income. If you have a hobby that you’re both talented at and passionate about, there’s a good chance someone will pay you to do it.

Having a side gig can make you a better employee, because you'll likely get some outside perspective that you wouldn't find in your day-to-day work.

Of course, if you have kids it can be difficult to find time to develop you side gig into a profitable business. But even a few hours a month can translate into more financial freedom.

Quick Tips: Things you can do right now to start making more money:

- **Go check out PayScale.com.** Enter your information to see where your compensation fits compared to similar roles, requiring similar experience in similar geographic areas.
- **Start keeping a log of your accomplishments.** If your boss is particularly busy or managing many employees, it may be hard to recollect specific examples of achievements when you do approach him or her to discuss compensation.
- **Ask for opportunities to work on rock star projects, especially solo ones.** Often, women don't receive the credit they deserve when working on team projects.
- **Make a list of skills that you have that could make a good side gig.** When you're first starting out, offer your services for free or cheap in exchange for a testimonial. Then take those testimonials out in the market and ask for paid opportunities.

How to Tackle Your Debt and Feel Good About Your Financial Situation

"Debt." Does the word make you want to curl up into fetal position and cry? If so, you're not alone. We carry a lot of shame about poor money management. The number of people who come to us, as financial planners, with their heads low and whisper about how badly they've messed it up is ridiculous. Feeling shame, and hiding from those feelings, only perpetuates the problem.

We're not going to tell you to give up your daily latte if it makes you happy. We *are* going to ask you to look at the list of things you spend money on, and figure out which ones are for survival, which are for happiness, and which are for growth.

> If any of your spending items don't fall into these categories (survival, happiness, or growth) on a high level, then you're spending out of habit, not out of choice.
>
> Julia

The most important thing is to set aside any guilt you might be feeling and take some kind of positive action. You would be amazed at the amount of mental freedom and clarity you can feel just by addressing your debt and making a plan. Find someone to talk to. You're much more likely to stick to your plan if you've told someone about it. It doesn't matter who, really, so long as you feel comfortable being completely honest.

It's an unfortunate reality that women carry more student debt than men, and have a harder time paying it off (in part, because we tend to make less money, on average, than men do).[4]

This is stuff you can handle. It's stuff you can tackle. Be honest. Hiding the truth about your finances pushes you further behind. Face it head on, so you can do something about it.

Julia

Quick tips: things you can do right now to start taking control of your debt:

- **Get an idea of your credit profile.** It's better to know than not know. Keep in mind that repeated credit checks can negatively impact your credit score, but it's important to know where you stand. Your credit score will affect your mortgage rate, car loan, or anything else you may borrow money on. Some companies, like Borrowell and Grow, can do a "soft pull" on your credit score, that won't have an effect on your score.

- **Call your credit card company.** You may be paying for benefits you're not even using. Ask them what their absolute lowest rate is, and tell them you want that. Cash back, air miles, etc. can work for some people, but if your goal is to get out of debt as soon as possible, you'll want to be paying interest at the lowest rate possible in order to get ahead.

- **Consider a consolidation loan, with fixed payments and terms.** It's easy to make minimum or interest-only payments on open credit products like credit cards and lines of credit. A fixed term loan arbitrarily creates your light at the end of the tunnel, where paying off your debt is HAPPENING, it's not a choice you have to keep making every pay period.

- **Request a free consult with a money coach.** Cash-flow specialists like Money Coaches Canada are focused on moving you into a better financial situation - and they're not selling any product other than their advice.

First Square Cash Flow Management

Once you've developed a plan for paying down your debt, you need to organize your cash so that you actually make your payments, cover your bills, and have enough for groceries. Thanks to the plethora of "free" bank accounts available in the world, it's easy to set up a working program that requires little to no mental effort on your part. This is the best way to manage money; if you don't have to make decisions every single time you receive money, then you're more likely to stay on track.

Set up these three bank accounts:

1. Bill and Utility Payment Account
2. Savings Account
3. Spending Account

Have your bills, rent, and debt repayments all go through account #1 *automatically*. You never miss a payment that way. Based on your previous analysis of your expenses (you did that, right?), you'll know exactly how much money you need to keep in this account.

Let's try an example.

Jennifer makes the following payments every month:

Payment	Amount
Rent	$1,000
Cell Phone	$50
Gas / Hydro / Electricity	$75
Internet / Home Phone	$100
Car Insurance	$125
Car Payment	$200
Debt Repayments	$200
Total	$1,750

We know that some of those payments will vary from month to month. If you look over 3-6 months of each one of those variable bills, you'll be able to determine what the average or maximum might be. For instance, if your cell phone bill varies between $50 and $75 per month, make sure that you're allocating $75 each month so that when the automatic payment goes through, you'll have more than enough to cover it. Then call your provider and find out if there's a better plan that you can be on to get consistent bills.

Total payments every month: $1,750.

Jennifer gets paid twice a month. Her net pay is $1,800 each pay period. She'll allocate $875 from every pay cheque to the Bills account. Her bills will all be paid - because she set up automatic payments - and she doesn't have to think about it.

Jennifer has made a commitment to put $360 every month into savings of some kind. So she allocates $180 from every paycheque to account #2, Savings. Jennifer has $565 left from every pay period ($1,130 per month) to spend on groceries, gas for her car, clothes and personal entertainment. She puts this in her “spending” account and knows that every time she uses her ATM card to make a purchase, she’s not eating into funds allocated for bills.

Every 6 months, she reviews her Bills account and her Spending account for surpluses. If she’s set it up correctly, she’ll likely have extra money in one or both accounts. She rewards herself with 50% of that surplus to spend however she wants.

Where to Start Saving First

We'll assume at this point, you've negotiated an outstanding salary. You've reviewed your income and expenses, and determined where you can free up some cash. You've started to pay down your debt in a strategic way. You've got a few bucks left to start building your future.

Savings and investments fall into three categories:

1. Emergency Savings
2. Short Term Savings
3. Long Term Savings

Emergency Savings

This is the "if everything goes terribly wrong" pot of money, and it's the first one you need to build. If you're okay with a little foul language, check out The Story of a F*** Off Fund.

The standard rule is to have 3 months' expenses in the pot, but where does that idea come from?

Many financial issues can be fixed in about 3 months:

- If you've lost your job but are pretty employable in an economy that is producing work, a 3-month window to get you on to a new horse makes sense.
- If you have disability insurance through your employer, the "waiting period" to qualify for benefits is often between 3 and 4 months. During that time, you may not receive any benefits, and your savings may be needed.
- If you're living with someone - a significant other, a roommate - losing their financial contribution to your household could be a massive blow. 3 months' expenses could give you enough time to replace them, or find a new place to live.

You may need more than 3 months' expenses if you:

- Are self-employed. If you run your own business or consult/contract, then it may take more than 3 months to pull yourself out of a downturn in business. You may not have access to Employment Insurance or disability insurance. Both are available to self-employed individuals, so you should look into this as well.
- Don't have access to disability insurance through your employer or through a private plan.
- Work in an industry that is vulnerable to a recession, and obtaining a new job may take longer than 3 months.

> Your emergency savings should be easily accessible. Emergencies are usually unexpected and sudden. You may not be able to wait 3-5 business days to get your hands on it.
>
> Julia

As these funds are something you need to be able to rely on and access at any time, the vehicles you invest in should be low-risk and guaranteed. That first month's expenses should be in a high-interest savings account that you can access from an ATM. The rest can be in short term investments that take a few days to access, such as money market funds or cashable GICs/Term Deposits. You won't earn a lot on this money, especially with interest rates being as low as they are, but you won't lose any money either. That's the biggest key for Emergency Savings.

Short Term Savings

Short-term savings are for reaching specific goals. It could be that you want to buy a condo, a car, or go on a vacation. It's any kind of savings where you'll be accessing that cash in 5 years or less.

Let's walk through another example.

Anna wants to buy a condo in 5 years. She's targeted a down payment of $50,000. She's never deposited to a TFSA before, so as of 2016, she has $41,500 in contribution room, which will grow by $5,500 every year. She's not going to exceed her contribution limit within those 5 years, based on her goal.

Anna found an investment that will guarantee her 2% a year throughout the next 5 years. Using a future value calculator, she determines that with 2%, she can reach her $50,000 goal in 5 years by making payments of $9,450 per year, or $787.50 per month.

Hopefully she makes more or spends less than Jennifer from our last example.

A higher rate of return would definitely allow her to reduce her monthly savings. But with higher returns comes higher risk. Since Anna is committed to reaching that goal within 5 years, she'd prefer not to take any risk with her contributions and therefore has accepted a lower return rate than she might earn by putting her money into a riskier investment.

Long Term Savings

You may be surprised to know that, by virtue of being female, we actually have some advantages when it comes to long term investing:

- We live an average of 3 years longer than we would if we were male. This gives us more time to weather the inevitable ups and downs of the market. This is also known as a having a longer *investment horizon* in finance terms.
- We're more likely to follow professional advice, and we tend to be more patient with market fluctuations, when we know that it is nothing to panic about.
- We tend to trade less frequently than men do, which decreases our investing costs and reduces the chance that we'll make poor decisions on impulse.

Once we get the hang of it, we women find we are just as capable as men are at investing. And yes, we even find it *fun*.

An important note about 'risk'

To many women, the word 'risk' has an inherently negative connotation that many men simply don't share. There's a whole bunch of psychology behind why this is the case, but it's important to try and think of the word in the specific context of investing.

Would women be more likely to invest if we used the word 'chance' instead of 'risk'? Maybe. Many women discover that, once we learn about what risk actually entails, we're not as conservative as we might have thought. For example, how many women do you know who have started a business? Between 2001 and 2011, the number of self-employed women in Canada grew by 23% (compared with 14% growth in male self-employment).[5] In many ways, entrepreneurship is incredibly risky – and yet, women are taking the plunge for the opportunity of higher earnings and greater control over our careers.

In finance, 'risk' is simply the lack of a guarantee – positive or negative. In order for an investment to go up (or down), some risk must be involved. So while risk does mean there is a chance of loss, it also represents an opportunity for gain.

> Stuffing your money in your mattress is risk-free. It guarantees you won't suffer market losses, but it also guarantees your money won't grow.
>
> Sandi

In short, risk isn't something to be avoided at all costs, it is something to be *managed*, within reason, in a way that you are comfortable with.

Also, the risk involved in investing isn't the only kind of financial risk we face. So while it's important to be aware of investment risk, there are some other important risks that we need to keep in mind, specifically:

- Outliving our money (aka 'longevity risk')
- Paying too much in fees. We don't want to pick on mutual funds too much, but on average, they tend to have higher fees than many people realize. But because you usually don't pay them out of pocket, it's tough to know exactly how much you're

paying. If someone offered you two similar investments, with one earning 2% more than the other, which would you choose? Most likely you'd choose the one earning the extra 2%. And yet, we often pay this much in fees without thinking about what we're giving up over the long term. The Canadian Centre for Policy Alternatives reports:

> *"If the higher fees on mutual funds (2.1%) seem small, we must remember that compound interest can work against an investor as easily as it helps them. Over a lifetime of contributions, the average mutual fund investor will have to work until age 72 to accumulate the same amount as the pension plan holder had by age 65 due to this seemingly small fee difference.[6]"*

- Inflation risk. This is a big reason why you don't want to just keep all of your money in a chequing account. Over time, the purchasing power of your money decreases. $20 today isn't the same as it was 10 years ago or what it will be 10 years from now. If your money isn't growing, it's shrinking.

So what exactly should you do with your money? For emergency and short term savings, it's important to keep funds in relatively conservative investments, because you may need to access them on short notice. Long term savings are a different beast entirely. Assuming you have a few years yet before you plan to retire, you may be able to take a more aggressive approach with your long term savings than with your emergency and short term savings.

Both Tax-Free Savings Accounts (TFSAs) and Registered Retirement Savings Plans (RRSPs) can be great options for long-term savings. Both can contain term deposits, GICs, cash, mutual funds, exchange traded funds, publicly-traded stocks, etc. Contributions to your RRSP are deducted from your taxable income, decreasing the amount of tax you pay. When you make withdrawals later on, presumably in a lower tax bracket, you'll pay less tax than you would have earlier on.

With TFSAs, you don't get a tax deduction for making a deposit but you also don't get dinged with tax when you pull the money out. While the funds are in there, earning money, you don't get taxed on those earnings.

Things to do right now to get your savings in shape:

- Make sure at least 1 month's expenses are available to you at midnight on a statutory holiday. An additional 2 months' should be accessible within a week's notice.
- If you currently hold mutual funds, try our Fee Analyzer to find out how much of your investment is being eaten up by fees.
- Consider finding your own financial advisor, even if you already share one with your spouse. MoneySense has a list of fee-for-service advisors (i.e. advisors who charge a flat fee for advice and instead of earning commissions for selling certain products).
- Build your investing confidence without risking your money - set up a trial account with an online investment manager like ModernAdvisor.
- If you want to learn about buying and selling individual securities, many discount brokerages also offer practice accounts where you can trade with pretend money.

Conclusion

Though women face some particular challenges in financial matters, we also have some innate strengths to build on. Our hope is that reading this eBook has encouraged you to seek out answers to your own financial questions and feel that whatever you want to achieve is possible.

Is there anything that we didn't cover that you wish we had? We would love your feedback!

Contact Us

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Further Reading

- Nice Girls Don't Get the Corner Office, Dr. Lois Frankel, 2004.
- The Rules of Work, Richard Templar, 2003.
- The Smart Cookies' Guide to Making More Dough and Getting Out of Debt, Andrea Baxter, Angela Self, Katie Dunsworth, Robyn Gunn, Sandra Hanna, 2009.
- Debt Free Forever (2009) and several other books by Gail Vaz-Oxlade

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[2] Carole Vincent, "Why Do Women Earn Less Than Men? A Synthesis of Findings from Canadian Microdata", CRDCN Synthesis Series, September 2013.

[3] Statistics Canada, Graduating in Canada: Profile, labour market outcomes and student debt of the class of 2009/2010, 2013.

[4] Glenn Burley and Adam Awad, Canadian Federation of Students. The Impact of Student Debt, 2015.

[5] Labour Force Survey. Statistics Canada, 2011.

[6] David Macdonald, Canadian Centre for Policy Alternatives, The Feeling's Not Mutual: The High Costs of Canada's Mutual Fund Based Retirement System. March 2015.