Insights on how women invest

With August behind us, you’ve no doubt seen many articles in the media around women and investing. However, this topic remains vital all year round. We caught up with Waldette Stoffberg, Business Development Manager at Glacier by Sanlam, to get her view on some of the changes she’s seen over the years.

Have you seen a shift in attitudes towards investing, or a change in the types of products taken up by women over the years?

I do think there has been a shift. In the past many women relied on their partners to make most of the financial decisions in the household. What we are currently seeing is that women are being more pro-active in taking control of their own financial situation. Previously, women focussed primarily on having a transactional bank account and if they worked then they’d have a pension or provident fund. What we are seeing now is that women are more involved in their own finances and they are focussing on products from life insurance, tax-efficient solutions and retirement solutions as well.

The sad fact, however, is that most women still don’t make use of financial products at all. In my opinion the main reason for this is because the products don’t work for them or cater to their needs in the way they’d like. Research shows that women have different needs. They ask more questions than men do, and they don’t want to assume that a product will automatically work for them, so they place a high value on the opinion of peers.

Women want to know: Will this product work for me? Are there barriers that prevent me from accessing this product? If I sign up, will I be able to get help if I need it?

What are some of the more common mistakes that still occur?

The first and biggest mistake in my opinion is not being involved in decisions about money. So many marriages end up in divorce, and you need to be involved to enable you to secure your future no matter what happens. Also important is to read and understand your marriage contract before signing it – the contract has implications for your finances should the marriage end in divorce.

The second is investing too conservatively. Research also shows that women tend to be more conservative than men when it comes to investing. Considering that women typically live longer than men on average, you need to include growth assets in your investment strategy to target the out-performance of inflation in the long run.

The third mistake is that many women start saving for retirement too late and this means they also don't save enough. In many cases, the retirement fund that these women have built up just isn't enough to sustain them – especially in cases where there has been a divorce. You need to start saving towards retirement as soon as possible.

Lastly, I think one of the biggest mistakes is not having a valid will. More than 50% of women don't have a valid will which will mean that your assets will be distributed in accordance with the law of intestacy and if you have no relatives, your estate (assets) will accrue to the state. It's never easy to think about your mortality, but it is such a critical exercise to ensure that the people you love are taken care of in the way that you would have wanted them to be taken care of.

What are some of the common myths around women and investing, and how do we overcome these myths?

There are quite a few myths about women and investing but fortunately we now have statistics to prove they are just that - myths.

Myth 1 – *Women are not good at investing.* Fidelity did some research in 2018 about women and money. The research shows that only 9% of women believed that their portfolios would out-perform men's. The opposite was true. The women's portfolios consistently out-performed men's year on year. The main reason for this was that the women stuck to their investment plans while men traded more often. The research showed that on average men received 1% less return than women. Considering the effect of compounding this will have a huge impact on values over time.

Myth 2 – *Women are risk averse.* This is not quite true. Many articles state that women are the more conservative investors and are risk averse. I think women are just more aware of risk and not necessarily risk averse. Women tend to ask more questions and gather information before they decide how their investment choices will impact then over the long term.

Myth 3 – *If you are saving, you don't need to invest.* This is just not true considering the negative effects of inflation over the long term. Saving means putting money away into a savings account which typically does not offer inflation-beating returns. Women will not be able to realise their financial goals by saving into a savings account only, they need to invest in inflation-beating instruments to achieve these goals.

Where can we improve?

I believe women can be more self-sufficient. This means having enough money to cover your expenses with your own assets.

We also need to be more pro-active when it comes to our financial decisions. In other words, making sure that we are aware of what goals we want to achieve and actively investing to allow us to achieve them.

Don't be afraid to ask questions and to be involved. Don't leave the financial decisions to your partner only. Ask about where your joint funds are invested and give input into the decisions being made around joint finances which could also impact your cashflow going forward.

Sharing is caring. Women need to strengthen the investment knowledge of other women. Don't be afraid to discuss financial topics with other women – this helps everyone to learn. An experience you have had can help other women avoid the same pitfalls.

Conclusion

The reality is that in our society men still earn more than women. That does not mean that women are not equipped to deal with finances. Women today have all the skills and resources available to make their financial futures more secure. All that is required is the will to start - so start today.

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Glacier Financial Solutions (Pty) Ltd.

A member of the Sanlam Group
Private Bag X5 | Tyger Valley 7536 | Email client.services@glacier.co.za | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 | Web www.glacier.co.za | Reg No 1999/025360/07
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Private Bag X8 | Tyger Valley 7536 | Tel +27 21 950 2600 | Fax +27 21 950 2126 | Web www.smmi.com *|*Reg No 2002/030939/07
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Glacier International is a division of Sanlam Life Insurance Limited
Sanlam Life Insurance Ltd. | Email life@sanlam.co.za | Tel + 27 21 916 5000 / 0860 726 526 | Fax +27 21 947 9440
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