



A Woman's Guide To Personal Finance



Canadian Securities Institute
A Moody's Analytics Company

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Why do women need to focus on improving their level of financial literacy?

Why Is Financial Planning Important for Women?

Globally, women generally face different challenges through their financial life journey compared to men:

- Maternity Leave & Need for Flexible Working Conditions
- The Gender Pay Gap
- Longer Life Expectancy
- Lower Risk Tolerance

In Canada, women's share of private wealth is expected to be more than \$2.7-trillion by 2024, representing 50% of Canadian wealth.



Maternity Leaves & Need for Flexible Working Conditions

- Women tend to see more discontinuities in their career than men. This could be due to maternity leaves or taking care of the elderly.
- Recently women were disproportionately affected, and many stepped back from employment to support children and families due to Covid-19.
- A break often means a certain period without an income, and this is bound to disrupt regular savings and investments.
- They need more of an emergency savings on hand and should be financially prepared so that such breaks do not throw their financial planning off track.



The Gender Pay Gap

- Women with the same qualifications are commonly paid less than men
- This pay gap increases even more with seniority
- Naturally, this often leads to lower savings and lower retirement savings
- Even when women are not taking a break, they may choose to take jobs that will pay them less so that they can maintain a better work-life balance
- This personal decision can lead to lower disposable income and with less disposable income, financial planning assumes a larger importance



Longer Life Expectancy

- Women have a longer life expectancy than men. In North America, the average male life expectancy is 75 – 78 years and the female life expectancy is 80 – 85 years. This means that women will live longer years post retirement. As we have seen, women take more career breaks and have more expenses to manage—making financial planning for women more crucial.
- Sometimes even working women tend to depend on their spouse to manage the family finances and if the spouse passes away earlier, they may find it difficult to manage their finances on their own. Financial planning and financial literacy, therefore, becomes more important for women.



Lower Risk Tolerance

- Women tend to invest more conservatively. Although, this is changing, women have traditionally put their money in safer assets.
- Women are often more risk averse and focus on the safety of their capital.
- Women are often less exposed to financial products and financial planning.
- There is often a lack of awareness, especially if a male partner is managing the family finances. This can put women at a disadvantage because their wealth does not grow as fast as it should.
- While it is important for everyone, it is essential for women to diversify based on their risk appetite. This allows their wealth to grow faster and stay ahead of the rate of inflation.





What is the financial impact of Employment /
Motherhood / Retirement / Divorce / Widowhood /
Long Term Care / Health?

Employment

Women tend to earn less than men over their lifetime, accumulating less savings, yet they must finance a longer period in retirement—usually with *declining health*.

- Caregivers, especially female caregivers, need to be aware of the significant impact of leaving their jobs permanently or part time to care for family and friends.
- Given that women statistically earn less than their male counterparts, and on average, take approximately 12 years out of their working career to care for others, a longer-term savings plan and strategy needs to be developed.
- Key considerations are loss in wages, loss in retirement savings, loss of benefits, and impact on personal health.
- Yearly wages lost by caregivers due to absenteeism, reduced work hours or leaving the workforce is around \$221 million for women and \$116 million for men.

What is the “Mommy Tax”

Also coined by sociologists as the **motherhood penalty**

Across developed nations, women with children tend to earn 14% less than women without children.

Why?

- Parental leave
- Refusing overtime
- Working part time
- Reduced hourly wages
- Declining promotions
- Viewed as less committed, dependable, authoritative = less chance at raise or promotion

Retirement

Two national studies on women and caregiving highlighted the conflicting demands of work and elder care. The study found that:

- 50% seek an additional job
- 33% seek a job to cover caregiving costs
- 33% of women decreased their working hours
- 29% passed up a job promotion, training or assignment
- 22% took a leave of absence
- 20% switched from full-time to part-time employment
- 16% took fewer demanding jobs
- 13% retired early
- 12% quit their jobs
- 7% lost job-related benefits
- Single female caregivers are 2.5X more likely to live in poverty

Divorce

- Divorce rates in couples in which one spouse has a serious chronic illness are as high as 75%
- Silver divorce, grey divorce, silver and diamond splitters! – began trending around 1984 –the divorce rate of people over 50 is on the rise
- 40% of Canadian marriages will end before their 30th anniversary, with the average marriage lasting about 14 years, according to the Vanier Institute of the Family
- In Canada, the divorce rate among adults in their late 50's has reached 20% - higher than any other cohort
- 25% of divorced baby boomers said that caregiving played a major role in their divorce
- Reasons for grey divorce:
 1. Financial management
 2. Growing apart
 3. Infidelity
 4. Varying health and life expectancy rates
 5. Addictions



Age and Widowhood

- Women face different challenges than men and this seems to be overlooked
- They can expect to live about 6-8 years longer than men, so they must finance a longer period of retirement, possibly with less resources at their disposal, which compromises care and accessibility.
- In Canada, 45% of all women aged 65 and older are widows – ranked #1 on stress index scale
- Of people over 100 years of age, 85% are women



Women's Long Term Care Needs

- Women tend to live longer than men and outlive their spouses
- Women have less access to retirement savings as a result of shorter working careers, and funds drained on spousal care
- Women who were 65 in 2014 can expect to live another 24 years
- In 2020, 68% of senior women were living alone
- In 2007, 18% of women 65 and older needed assistance—this jumps to 39% for those 85+



Health Impacts on Women Caregivers

Female caregivers have higher levels of depression, anxiety and other mental health challenges.

- Middle aged and older women were 6X more likely to suffer from depression or symptoms of anxiety compared to non-caregivers; 2X if they cared for their parents
- 20% said that stress is almost always in their lives
- More likely to experience social isolation, which impacts well being and leads to higher health costs
- Experienced higher levels of hostility and unhappiness
- 33% of female caregivers are providing care while being unwell themselves
- Female caregivers were **twice as likely not to fill a personal prescription** due to cost
- 25% of female caregivers caring for someone with dementia had poorer health compared to non-caregivers





When and how should women start planning for a secure financial future?

WHY?

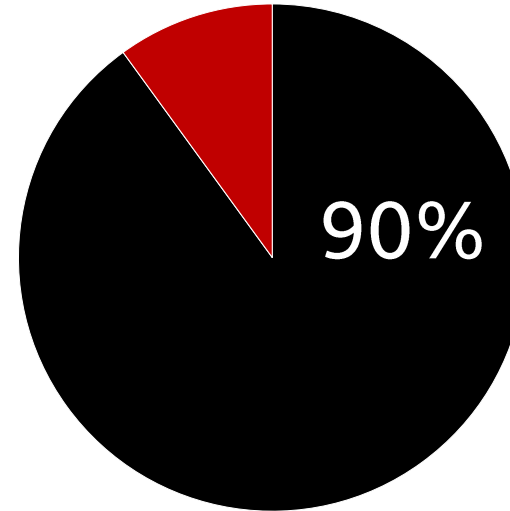


Women's Wealth

It is estimated that by 2028, Canadian women will control approximately

\$3.8 trillion

of total personal wealth in Canada.

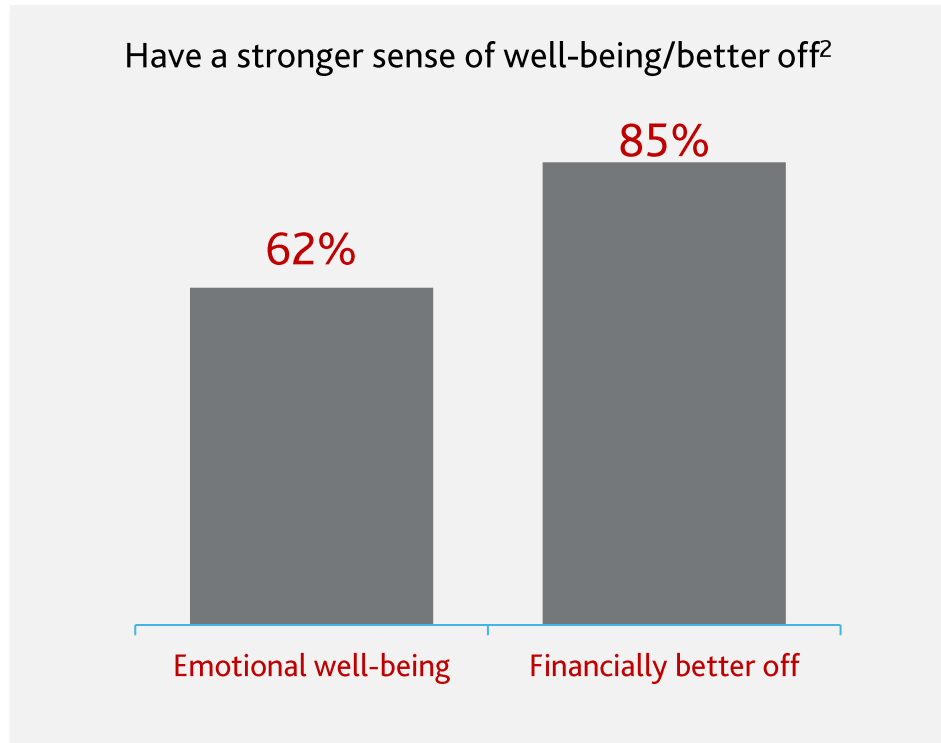


of women will become the primary financial decision maker at some point in their lives.

Source: The Changing Landscape of Women's Wealth, Benjamin Tal and Katherine Judge, March 2019.

Financial Wellbeing

Canadians who have financial plans worry less about money than those without plans¹



¹ Financial Planning Standards Council, The Value of Financial Planning, 2014.,

² New Evidence on the Value of Advice, 2012 (IFIC)

³ Women and Money Survey, Fidelity Investments, May 5, 2017



Did you know...

- Women save more
- Women earn higher returns
- Women plan with purpose and think holistically
- Women tend to hold a more long term, conservative view with their investments³

HOW?



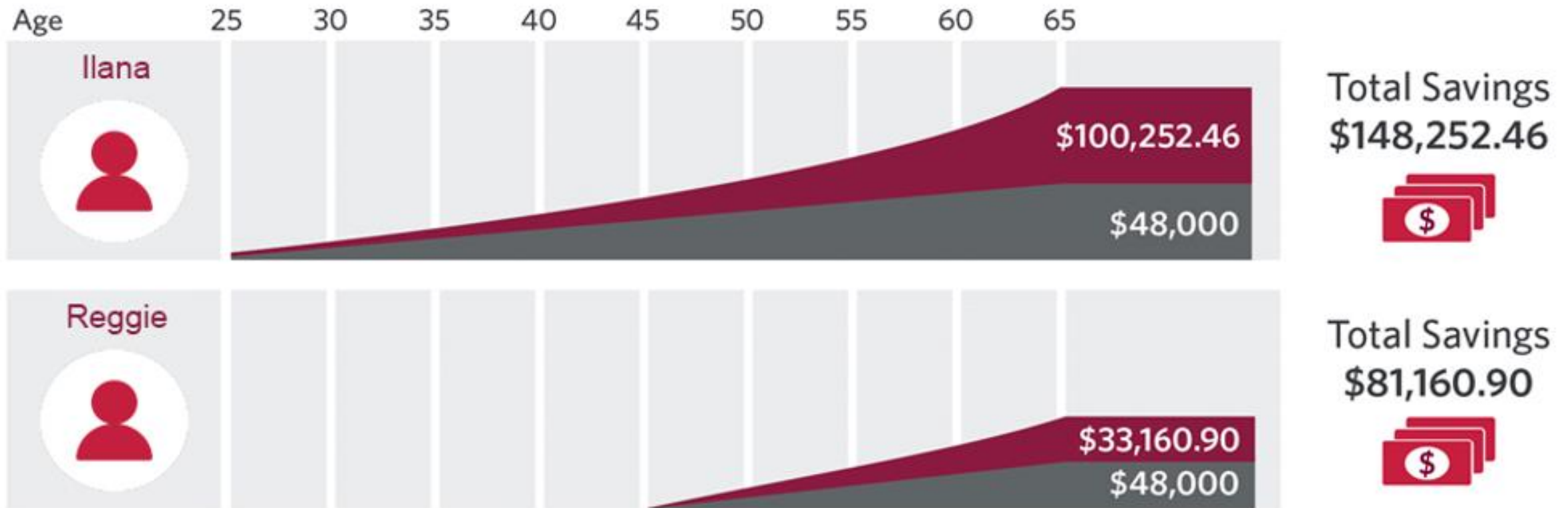
Build Your Financial Future

1. Get a good perspective of your finances—money coming in and going out
2. Prioritize your goals
3. Engage the right professionals
4. Set up a savings and/or investment plan to help you achieve your goals
5. Revisit your plan regularly to ensure you're on track



Start Early: The Magic of Compounding

Even small consistent contributions can add up over time!



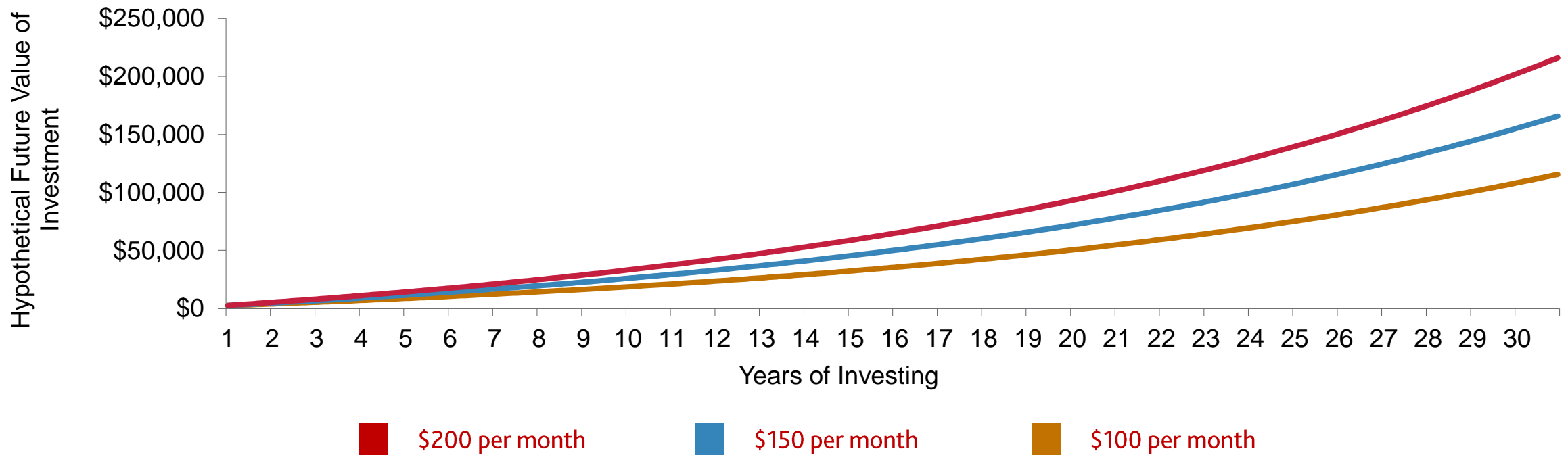
This is a hypothetical example to show the benefits of making monthly investments over time. It assumes an average annual return of 5%, compounded annually. This chart does not represent any actual investment, and the projections are before taxes. The value and return may vary, and different investments may perform better or worse than this example.

WHEN?



Start Saving Early

Even small contributions can add up over time



This is a hypothetical example to show the benefits of making monthly investments over time. It assumes an initial investment of \$2,500 and an average annual return of 6%, compounded annually. This chart does not represent any actual investment, and the projections are before taxes. The value and return may vary, and different investments may perform better or worse than this example.



What advice would you give women on managing their finances?

Why should you seek advice from a qualified professional?



Q & A

To learn more about designations, visit csi.ca
or contact us at designations@csi.ca

Thank you

