

## **Women not walking the talk: Experts say females are more confident investors, but still aren't saving enough for retirement**

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As investors, Canada's women have finally arrived. That's the conclusion of bank executive and author Patricia Lovett-Reid, who's written three books to help women become better investors.

She feels such narrowly focused books are no longer necessary, which is why her next title is aimed at both sexes: *Live Well, Retire Well*. It says you don't have to sacrifice everything today to prepare for a long-distant retirement.

For years, at seminars and in her MoneyTalk TV show, the TD Waterhouse senior vice-president has urged women to be more aggressive investors. Historically, the perception has been that men can build bigger nest eggs because of their greater willingness to invest in risky stocks.

But actuarial tables show women live longer than men. The risk of outliving their money is greater so the case for stocks or equity mutual funds should therefore be stronger for females.

Last week, a TD poll found women are more confident about their prospects for financial independence. An updated version of a 2002 poll, it surveyed 901 women between 25 and 69. Three in four believe they invest differently than men; 29% feel they are "less risk tolerant" while 15% felt they are "more cautious." Half consider themselves low-risk investors, and 45% medium-risk; only 4% say they are high-risk.

Consultant Joanne Thomas Yaccato bristles at these statistics but views the overall survey as "moderately good news." She's the author of *Balancing Act*, and her Toronto-based firm bills itself as "corporate Canada's gender lens."

Yaccato insists investment risk tolerance is not gender-based.

"I'm married. I know. You'll find men as averse to risk as women."

She cites a U.S. study showing women are highly confident investors who "do not fear risk." Similar studies in Canada and Sweden found no difference between men's and women's risk tolerance.

Yaccato once helped RBC Investments put a different spin on such data. RBC was about to issue a press release trumpeting, "Women have a more cautious investing style."

Yaccato agreed the data suggested men had higher risk tolerance, but "the corollary didn't necessarily point to the conclusion women were therefore conservative."

Ultimately, the press release was edited to convey women were more concerned about retirement than men.

As Yaccato's book shows, the enemy is lack of time to educate themselves. Once aware of the need for balanced portfolios that include stocks for the long run, she says, "women are just as likely as men" to invest in them.

Women take calculated risks, Yaccato says. They do their homework and if they feel an investment meets their risk tolerance, they proceed.

But their caution on investments is often warranted -- for example, Yaccato doubts many women would have bought a dubious hedge fund like Portus. "More women than men would resist that kind of investment."

At 48, Yaccato recently re-evaluated her own finances and decided to double her rate of saving. She's glad she took more risk earlier in her investment life. Her asset allocation is 70% equities to 30% fixed income.

A common fear is ending up a "bag lady" in old age. However, it's clear female Baby Boomers have no intention of relying on government pensions to avoid that fate. "Most Boomer women don't factor that into retirement planning," Yaccato says, "They consider that gravy."

Indeed, many are shooting for early retirement.

Dianne Nahirny chronicled her retirement at a youthful 36 in *Stop Working, Start Living*. While she gave up corporate employment early, the book and a sequel on home makeovers has let her combine living and working on her own terms.

The approach requires discipline and a frugality few can match. Nahirny is more cautious than Yaccato in her personal asset allocation, investing mostly in bonds and GICs. However, she has also taken risks buying, fixing up and selling residential real estate.

Nahirny says the TD poll focused on savings and income but should have put more emphasis on growing net worth.

The bank also found women have raised their estimate of the minimum nest egg needed to retire. Nationally, they believe they'll need an average of \$636,900 in capital -- 20% more than the 2002 survey indicated. Ontario women are aiming for an average of \$837,600.

Few have accumulated either figure. The average portfolio is a tad below \$106,000.

"There is still a big gap between this new-found confidence and more ambitious retirement goals, and current investment behaviour," Lovett-Reid said.

Nahirny is concerned by the disparity between "an alarming shortfall with retirement approaching" and the finding that women are confident about their finances. She worries women who have saved a little have a "false sense of security" over their retirement prospects.

It's no mystery how the half-million-dollar gap must be bridged. "You gotta have a plan," Lovett-Reid says. The hard part is sticking to it" when life throws one of its inevitable curveballs.

Financial planner Diane McCurdy wrote *How Much is Enough?* to answer the most frequently asked question posed by her 1,000 clients in Vancouver. The answer varies with every case but can be estimated at [www.howmuchisenough.ca](http://www.howmuchisenough.ca).

The magic number ranges from \$400,000 to \$5-million. McCurdy worries citing too high number a could spook the average Canadian, many of whom haven't even begun to save for retirement.

Indeed, an earlier TD study showed 42% of Canadians have no savings, while 75% have a cash cushion that will last less than three months. Two-thirds are worried about the future but have no idea how much they need.

Three in four think saving \$5 a day can make no difference to their future. That's a crippling

fallacy. In truth, cutting out coffee and a muffin each day would let them amass \$65,000 over 20 years and, McCurdy says, "Most people can save more than that."

Women are under great financial pressure, McCurdy adds. They are six times more likely to bear financial responsibility than their parents. Most Boomer women work while taking care of parents, children and often grandchildren. Few have time for financial planning: McCurdy categorizes only 20% of Boomers as planners.

McCurdy is amazed how few employees take advantage of the "free money" of workplace pension plans. They should save 20% of gross pay, close to the maximum 18% of earned income you can salt away in RRSPs.

She suggests maximizing RRSP contributions and using tax refunds to pay down mortgages. Once that's accomplished, she urges clients to divert the former stream of mortgage payments to creating non-registered stock portfolios.

We'll give the last word to the author who reached the retirement finish line first. "There isn't a magic nest egg amount for women and no shortcut to getting an individual woman's best estimate," Nahirny says. "Considering the statistics on consumer debt levels, women need to build net worth, not just savings. Now."