Top 10 Financial Tips for Women

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WEALTH MANAGEMENT

Top 10 Financial Tips for Women

We've all seen those top 10 lists on social media. The ones that suck us in with their click-baiting headlines. The ones that claim life-changing life hacks guaranteed to make our children better, our homes cleaner and our jobs dreamier.
The ones that deliver little more than empty promises and an onslaught of ads.

Lucky for you, this isn't one of those lists. Because this list is chockfull of practical and insightful financial advice that actually applies to your real life. And once you start putting these simple rules into action, you'll find that they really do make managing your finances — and your life — a heck of a lot easier.

Let's get started, ladies. First of all, on average Women earn 74 cents on the dollar compared to men. That 26% shortfall accounts for the difference in earnings between all men and women working full-time in Canada. Which means us women, end up with $260,000 less then our male conterparts on a total earning of $1million over our life time.

Source: https://www.macleans.ca/society/pay-equity-statistics-canada/

Women are also more likely to experience gaps in employment, for things like paternity leave.

Women control **82%** of household buying decisions Yet they are **2x as likely** to describe themselves as **'financial beginners'**

Source: BMO Study: Mothers are in charge of their household finances, but are they taking charge of their retirement? May, 2012.
* Source: Prudentual FINANCIAL EXPERIENCE & BEHAVIORS AMONG WOMEN 2012-13 Research Study

Almost **30% of women** saw a pay cut after a career break, and most of those women took a pay cut of **20% or higher**

Source: https://www.ellevest.com/magazine/article/does-waiting-to-start-family-save-money

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1 Pay your credit card balance in full every month.

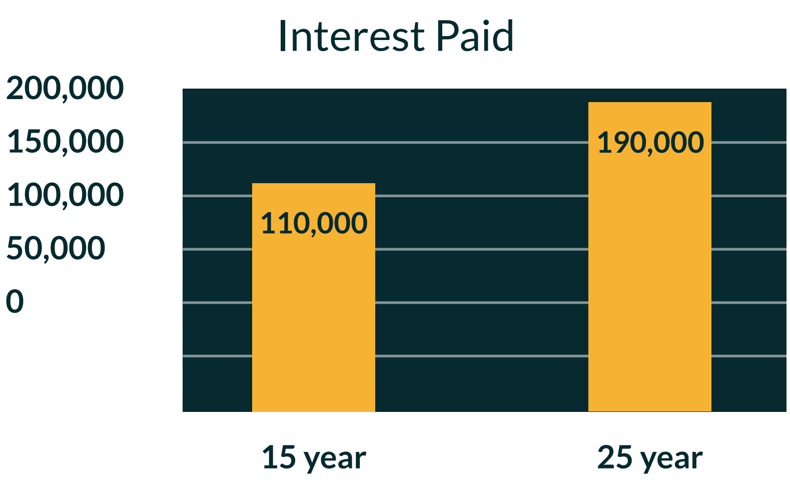
Let's kick this list off with a little tough love: if you can't pay your credit card in full every month, then you probably shouldn't use one. Credit cards can be a great tool to help build your credit, but if you don't regularly pay the balance in full, the high interest rates can quickly launch you on a downward spiral into consumer debt.

As women, we already pay more for many of the products we buy. Don't compound this by racking up credit card interest on top of your purchases. Keep track of the amount you put on your card, make sure it fits within your monthly budget, and always pay it in full.

2 Pay down your mortgage as quickly as possible.

One of the lesser known affects of the gender pay gap is that women may also end up with lower credit ratings than their men who earn more. And a lower credit rating means that you'll end up paying higher interest rates on big expenses, like your mortgage. If you make a concerted effort to pay down your mortgage quickly, you'll save a lot of money in interest over the long-term.

It'll also put you on the fast track to financial freedom. Your mortgage is likely your largest source of debt, which means that even a slight increase in interest rates can have a big impact on your mortgage payment, and your overall financial stability. Add in the volatile nature of the housing market and there's always a risk that you'll be making hefty payments on an asset worth less than you owe. Plus, think about all the fun stuff you can do with the (literally thousands of dollars in) interest you'll save – like retire early or buy a vacation home!



WHY IT MATTERS:

On a $450k mortgage with a fixed 3% interest rate, decreasing the amortization period from 25 years to 15 will save you $80k in interest payments. With a 25 year mortgage you would pay $190k in interest payments, vs. only $110k in a shortened 15 year amortization

3 Maximize employee contributions to your pension (especially if your employer contributes!)

Our cost of living continues to increase, and so do our expected life spans. In fact, Statistics Canada says that women outlive men by an average of four years. They also report that women spend more of those years living in poor health, which means we need an even larger nest egg to support a comfortable retirement.

Unfortunately, even the best pension program may not generate enough wealth to see you through. The more you contribute to your pension fund now, the more you can rely on it to fully fund your retirement later. Plus, if your employer matches your contributions, then every dollar you contribute turns an instant profit. It's basically free money!

4 Pay yourself first.

Your savings are an investment in your best asset – you! That's why it's so important to set aside a portion of every pay cheque (we suggest 20%) before that money is swept away toward groceries and bills. When you're setting your budget, aim for the 50/30/20 rule: spend 50% of your income on your needs, spend 30% on your wants (because we all deserve to have a little fun), and save 20% for your future.

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Many of us put off saving and investing, especially when demands on our time and resources are high (like when we're balancing a career and a young family, or other important commitments). So, don't feel bad if you're starting your savings from scratch. What matters most is that you are starting, and that your making it a priority to invest in yourself. Your putting your future first, and your older and wiser self is going to love you for that.

5 Maximize your tax advantaged savings – RRSP, TFSA, RESP, RDSP, etc.

We agree that saving is important, but it's not just how much you save that matters — it's where you put that money. Low-interest-earning savings accounts are barely a step above that shoebox under the bed or jar in your laundry room. Choose a savings option that makes your money work as hard as you do — like a registered retirement savings plan (RRSP) or tax-free savings account (TFSA).

Women tend to feel more comfortable with TFSAs than RRSPs because we want to make sure we can take care of our immediate financial needs, and TFSAs give us that flexibility.

There's nothing wrong with that, as long as you're also focusing on your long-term needs – and not missing out on big opportunities. In some cases, your employer or provincial government may even top up RRSP and RESP savings — more free money for you if you're ready to take advantage of it!

Your wealth advisor can help you choose which tax advantaged savings options are best for you, to make sure you have access to the money you need now and in the future.

6 Institute a 24-hour rule for big purchases.

Women and men take different approaches to making decisions under pressure (like buying a new vehicle or major appliance from an uber-aggressive sales guy). Men tend to focus on the rewards at hand, and women tend to focus on the risks. Neither strategy is superior, but one thing is clear: we all make better decisions if we're given the time and space to think it through. The 24-hour rule allows us to do that. neg

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It also gives a chance to snag a few hours of slumber, and there's a reason we're told to 'sleep on it' before making important decisions. Our brains need time to process information. And believe it or not, they often do that better when we're unconscious than when we're wide awake. In fact, researchers believe unconscious thought is an active and goal-oriented process – and not just a hodgepodge of ideas that occasionally manifest in nonsensical dreams. So, the next time you're thinking of making a major purchase, stop and take a siesta. Your brain and your bank account will thank you.

7 Diversify your portfolio

Any time that you see a salary increase, you should see a net income increase and again you want to put at least 10% of your net income (we recommend 20%) going towards savings. Cash like investments – may be seen as the safest option – but with them you are losing the ability for your money to grow significantly over your lifetime. You are also losing the advantage of dollar cost averaging in the market if you are letting a large chunk of your portfolio sit in cash. Third and most important consideration is discipline – here is where your financial advisor can help! Maintaining investment discipline and the premise of "paying yourself first" throughout your lifetime is a sure fire way to provide financial security through thick and thin. You may have a portion of your portfolio that is invested in higher risk investments that may provide you a higher rate of return given that risk, and another portion of your portfolio that serves as a safety component to help protect your investment portfolio through market downturns as well.

WHY TO DIVERSIFY

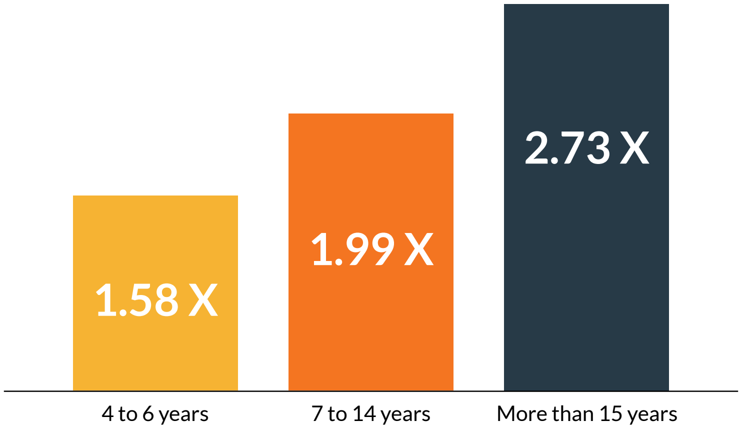
Lower risk. The number one reason for diversifying is that it lowers your overall risk. The more you spread your assets out, the less likely it is that a single event will negatively impact your portfolio. Further to this, there is the consideration of different specific investments, investments styles and the industries and countries that your portfolio has exposure to. All of these considerations go into the making of a successful portfolio, and this is where your advisor can help you take the guess work out of "what's best".

8 Understanding what your advisor fees are for

There has been a strong focus as of late on value for fees and some of the changing regulations surrounding fees. Here at Thrive we want to educate people on what their fees are for as well as what to look for in a good advisor vs. some of the negative traits of some of the less reputable advisors in the industry may have. According to the IFIC Value of Advice report, investors who work with a financial advisor accumulated 1.5x more assets in the short term (4-6 years) and 2.75x more assets in the long term (more than 15 years) through the help of their advisor. Those values are not only from the advice and investment knowledge that your advisor can provide, it is also from the discipline that they can help you maintain for yourself through your financial plan.

Your advisor should provide advice on the 6 main areas of your financial picture, which are, Day to Day Finances, Investing, Risks & Obligations, Taxes, Retirement and your Estate & Legacy. Fees are not for the underlying investment but for the help of highly skilled, accredited advisory services that integrates wealth planning into the handling of your finances throughout all of life's stages. No matter what you are investing in, or how low-cost the investment is, it is not a substitute for a financial plan that is tailored to your financial circumstances and objectives. Good advisors will help you to pull in all 6 areas of your financial picture into your plan, and let your plan be the roadmap on which your goals and investment considerations are based upon.

Investors who work with a financial advisor accumulated 2.73 times more assets than investors without an advisor*



YEARS OF FINANCIAL ADVICE

*Source: IFIC Value of Advice Report,2012

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9 Have your advisor commit to a Service Plan

What is a service plan? Your expectations of treatment of your portfolio and your family's treatment over time. Some examples are: How often will you meet with your advisor, what will be covered at each meeting, tracking of financial goals, etc.

It is a two way agreement in that as the client, you also commit to letting your advisor know of any pertinent details such as changes in lifestyle, employment or financial considerations. If you feel that you are solely meeting with your advisor on an annual review basis and you are not really getting anywhere with your goals, or maybe you have gone through some significant life changes and you feel that your advisor is not readily available to you when you need him/her, it is always an option to look elsewhere in the industry.

With the wealth planning-based meetings that occur here at Thrive, road maps and service plans are very easy to run through a client's lifetime as it is of our opinion that each client should start with a holistic wealth plan as the backbone. You can actually quantify what dollar value your household should be at throughout certain points in time so if you have made a few too many negligent purchases or you have somehow skewed from the plan in any way, we can discuss that at your next meeting because it will show up in the discrepancy of the dollar value in your portfolio. The best advisors are transparent, organized and well documented to pick up exactly where you have left off in your previous meeting, no matter how much time has passed. You can be your own judge of character here, if you feel that you have had a longstanding relationship with your advisor and he still does not refer to your children by their first name, there may be a disconnect somewhere.

10 Consider Socially Responsible Investing

Research is showing that more women want to align their investments to their values, and see their money working towards not only economic returns for their family but social returns for the greater good. Responsible investing (RI) is the integration of environmental, social and governance factors (ESG) into the selection and management of investments. There is growing evidence that RI reduces risk and leads to superior long-term financial returns.

Benefits of Socially Responsible Investments:

- Long term, sustainable company growth
- Companies on top become leaders in ESG Solutions for the rest of their industry
- Corporate Governance standards that can lead to regulatory change when executed correctly
- Corporate engagement – actively using ownership of a company to make change
- Invest in companies that are directly working to mitigate the impact of global challenges

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