Financial Services, LLC

33 South Commercial Street
Manchester, New Hampshire 03101
Tel: 603-641-1010
Fax: 603-641-0707
e-mail: fdemaio@jtdfinancial.com
www.jtdfinancial.com

SHATTERING THE MYTH THAT WOMEN AREN'T GOOD WITH MONEY

A cottage industry of condescending books doesn't address the real issue.

Provided by Frank DeMaio

Why do we cling to the *myth* that women don't understand money as well as men?

If you look at the personal finance books out right now, some of the titles might convince you that women need "special help" when it comes to figuring out saving, investing and budgeting. The current self-help tomes include *Prince Charming Isn't Coming … SHOO, Jimmy Choo! The Modern Girl's Guide to Spending Less and Saving More … Does This Make My Assets Look Fat? … Girl, Get Your Money Straight … A Purse of Your Own: An Easy Guide to Financial Security.*

Judging by these titles, you would think contemporary American women are naive shopaholics or squanderers. But is that really the case?

Data suggests women and men don't spend that differently. The Bureau of Labor Statistics, which tracks consumer spending patterns per gender, finds that personal spending between the genders evens out. For example, while women have historically spent more on their apparel than men do on theirs, recent findings show that men are spending more on eating out, audio and visual equipment and transportation.[1,2]

Do women run wild at the mall? Data seems to say otherwise. While the most recent BLS data indicates that 76% of women have at least some credit card debt compared with 67% of men, it also reveals that credit card balances are higher for males. Empathica, a firm providing consumer insights to retailers, polled more than 7,200 U.S. consumers in 2009 and found that 72% of women had reduced their retail spending in the recession compared to only 62% of men.[1,3]

Two surveys suggest women might be more prudent investors. In 2001, a study conducted by two University of California, Davis professors titled *Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investment* appeared in MIT's *Quarterly Journal of Economics*. Looking at patterns across 35,000 households, Brad Barber and Terrance Odean determined that male investors traded stocks about 50% more often than women investors, with their market timing efforts resulting in poorer returns and more frequent fees and charges.[1]

In March 2009, University of Oregon professor Ellen Peters conducted a nationwide survey which revealed that just one in every 40 women had "made riskier investments looking for long-term growth" in the past week, while one in eight men had taken such a risk.[4]

Other surveys find women prioritizing savings and debt reduction. TD Ameritrade has a new poll out in which 68% of women say they intend to save more of their money in 2011, compared to 62% of men. In a 2010 Citigroup survey, 48% of women aged 18 to 39 said that they were saving more money than they had in the past. Overall, 72% of women in the Citi survey responded that they would use extra cash to pay down debt, compared to 65% of their male counterparts.[5,6]

The real issue is unequal income. On average, women live longer than men and therefore need more money across a lifetime. Yet on average, they don't earn as much as men. According to the Labor Department, women working full-time after age 24 still earn just 80% of what men working full-time do.[5]

However, the National Center for Women and Retirement Research estimates that 75% of women will be widowed – at an average age of 56 – and that 90% of women will be solely responsible for their financial situation at some point in their lives.[5]

There is no need for condescension; there is a need for comprehension. Women do need to realize the financial challenges that come with potentially longer life spans and potential absences from the workforce, and plan accordingly. But, it's time to shed the old stereotypes and myths.

*Frank DeMaio, CPF®, CFA*is a Registered Representatives offering securities through UNITED PLANNERS' FINANCIAL SERVICES OF AMERICA, a Limited Partnership, Member FINRA, SIPC. Frank may be reached at 603-641-1010; Eric may be reached at 603-544-2110.*

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