LEADERS' ROUNDTABLE

A look at financial planning for women

With one of the severest of bear markets still ongoing and our global economy only recently showing signs of improvement, few can afford to ignore planning for their financial future. *NETWORK* Editor Christian Pope Campbell spoke with two alumnae who work in the financial field and with Patricia Clarke, assistant professor of finance. Read on to hear what they have to say about financial planning and women.

1. Do you think women are as aware/involved in financial planning as they should/need to be?

Patricia Clarke: Women have significant experience with short-term financial decisions - they make about 80 percent of all consumer decisions and often manage the finances at home. Yet, they are, generally, less involved with the longer-term aspects of financial planning. There are many reasons why women should be much more involved. They tend to live longer than men, earn less, have lower social security benefits, spend a significant amount of time out of the workforce caring for children and/or elderly parents, and they are more likely to work for small firms or non-profits that may not have strong retirement benefits. Consequently, many women are not prepared financially to retire, or to become "suddenly single" through divorce or death of a spouse. Financial planning is all about education, empowerment, and reaching goals, both short-term and long-term. As women take care of their current and future financial needs and goals, they become financially independent, which will make a difference in other areas of their lives — for instance, when to go or when to stay in a job or a relationship.

Dee Lee '93 (Financial Planner, Harvard Financial Educators): I do not believe women are as aware of or as involved in financial planning as they should be. I spend 60-75 percent of my time traveling around the country working with state treasurers to present free women and money conferences. I'm amazed by how many women lack basic information about their personal finances. Too many are willing to allow spouses, partners or boyfriends to take over their money matters and financial decisions. Mothers, in particular, who already have more than enough to do, often find it easier to pass off financial planning decisions. According to the American Association of Retired Persons (AARP), the average age a woman becomes a widow is 56. U.S. Census data tells us that 50 percent of the marriages in our country end in divorce and that 60 percent of second marriages end in divorce. Women need to be responsible for their personal financial decisions.

Elisabeth Zimmerman '03 (Vice President, O'Brien Management, Inc.): I think women have come a long way from my grandparent's generation. In those days there were many "so-called" traditional families where the husband took care of the finances and the wife was involved to the extent that she could access funds if needed. I have dealt with a number of cases where the husband has been handling the finances and then unexpectedly passes away and the wife is left to educate herself very quickly - not an easy task, particularly at a time when more stress is not needed. Today things are much different. Due, in part, to the Internet, information is much easier to access. More women hold advanced degrees, have jobs, and are quite involved in the family finances. This is especially true with single mothers. In fact, many women today take the lead role in the financial planning of their families. Many of our clients meet with me as a couple and we view the client relationship as a partnership. What I've seen is that although one member of the family may do more of the day-to-day finances, both partners are involved in the overall planning and the decision-making is definitely a joint process.

2. Do men and women approach financial planning differently? What are the biggest financial planning issues facing women today?

PC: I think that men and women approach the problem and the process differently. Women tend to view financial planning organically - a life stages approach, for instance. Women are very careful and thorough in their research (which is a good thing), but they tend to be perhaps a bit too cautious in their investment choices. Increasing their investment risk tolerance, even slightly, would be beneficial in the long term.

There are major financial planning issues for everyone, men and women alike. In my view, the reliance on debt, particularly credit cards, is a serious problem. While there are certainly benefits to having a personal credit history, women should concentrate on reducing or, ideally, eliminating the balances on their credit cards. As protection against unforeseen circumstances, they should set aside about six months of living expenses in cash (or near cash). Women should also prepare more aggressively for retirement. If at all possible, a woman should begin planning for retirement in her 20s, contributing regularly to tax-deferred plans at work and/or to IRAs. Compounding, a wonderful thing in the short term, is much more impressive in the long term.

DL: From my perspective, women and men do approach financial planning differently. More and more brokerage houses and mutual fund organizations are conducting studies to evaluate those differences and are marketing to women and men differently. The results indicate that women tend to prefer more time when making long-term financial decisions and are loyal to their broker or stock purchases despite market fluctuations. They also ask more questions and prefer one-on-one consultation with an advisor.

I believe the biggest financial planning issue facing women is that they will outlive their money! Women live longer than men. Wives should plan to live at least seven years longer than their husbands, which can have serious effects on their retirement years. Single women are affected, too, because women still earn only 76 cents for every dollar that a man earns. Women also tend to move in and out of the job market to address family circumstances or continuing education goals. In my travels throughout the country, I have heard women from every economic level say their fear is to end up living alone, in a trailer, with no money - or worse, to end up as a bag lady!

EZ: I'm not sure I see the different approaches to financial planning as purely a gender issue alone - but more of an individual or personal style preference. Most people simply want to be sure they can afford to live a particular lifestyle. Many of the variables that enter into the equation are an individual's tolerance for risk, what that individual's goals are, and where one is in his or her life cycle. While I have seen a number of men take more chances with their investments, I have seen just as many who are risk-averse. Therefore, I have learned not to make blanket conclusions as to gender and investment style.

Two big financial planning issues facing women today are planning for retirement and sending children to college. A young woman in the accumulation, or earning stage of her life, will approach financial planning quite differently than when she is nearing retirement. Many women beginning their careers don't consciously plan for retirement, but rely on their company profit sharing or 401(k) plan. They become much more interested as they near retirement and the issue becomes more real for them.

The economy has played a large role in this issue as well. Many women in their 30s and 40s, from an investing standpoint, have only experienced growth. Up until now that is all they knew. If you invested your money in the market, it would increase at a steady rate. The economic slump of the past three years has opened many individual's eyes to the other side of this equation and has hopefully made them aware that financial planning is important at every stage.

3. Is financial planning a field of professional opportunity for women?

PC: Although women hold only about 25 percent of the Certified Financial Planner (CFP) professional designations, their numbers are growing in what has traditionally been a male-dominated field. Their skills and successes are being recognized as well. A financial planning contest sponsored by Financial Planning for "Movers, Shakers, and Decision-Makers" in 2002, for instance, came up with four winners - three were women. For the 2001 contest, one of the four winners was a woman.

With its focus on the client, the financial planning profession may be a natural fit for women, as noted in a recent article in ***Journal of Financial Planning.*** Women tend to be strong at building and maintaining relationships and can be excellent listeners and nurturers. They can enhance this potential skill set with expertise in a content area such as financial planning. (See "Women in Financial Planning: 'A Natural Fit'" by Catherine Newton, Feb. 2003, pages 66-70.)

Networking and mentoring are very important for the advancement of female finance professionals. Women financial planners can benefit from participation in professional organizations, such as the Financial Planning Association (FPA). Some individual women in the field have also played a supportive role. For instance, Muriel Siebert, the first woman to own a membership on the New York Stock Exchange, is an excellent role model. Currently, she not only has her own brokerage firm but also provides a Web-based learning center to promote financial education. Financial planning can also provide women with yet another path to owning their own businesses. Professional opportunities may exist in what could be, otherwise, under-served markets, particularly as the U.S. population becomes older and more ethnically diverse.

DL: Yes. Here's why: our lives are so much more financially complicated now than in our parents' and grandparents' days. Our ancestors didn't have to think about 401K plans or mutual funds or whole vs. term life insurance policies. We need advice now. And women tend to seek out women financial advisors, much like they do women doctors and lawyers. It may sound stereotypical, but women are considered better listeners than men and it's essential for a good financial planner to be a good listener.

EZ: Absolutely. Financial planning is about developing a strategy that helps individuals achieve their financial goals. It in- corporates not only investment management, but also tax planning, estate planning, insurance as well as other disciplines. As a career opportunity for women, the field is an excellent choice. An individual looking for professional advice wants someone they can trust who gives them unbiased advice with no conflicts of interest and can offer the individual superior service. That said, there is a great deal of competition in the field coming from these other disciplines. For example, many investment advisors also offer financial planning services and many tax advisors also offer investment advice. In addition, many of the large discount brokers are beginning to offer financial planning as part of their services. The most successful financial planning professional will also specialize in one or more of these disciplines in order to play a major role in assisting the individual to achieve their goals.

Therefore, any women considering a career in financial planning, whether as an independent planner or as a member of a larger organization, should position herself to best compete. In order to develop the long-term relationships necessary to succeed, one needs to both prove they can generate the results expected of them, and to create a level of trust with the client. This takes time, passion, and motivation. ■

For more information about women and financial planning, check out these Web sites.

Name	Website	Type
Financial Planning Association	www.fpanet.org	Professional Association
Certified Financial Planner Board of Standards	www.cfp.net	Professional Standards & Certification
Women's Institute for Financial Education	www.wife.org	Non-profit Organization
Women's Financial Network at Siebert	www.wfn.com	Commercial Web Site
MsMoney	www.msmoney.com	Commercial Web Site