Talking
Finances with women

7 top reasons for women to get excited about investing

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Women shy away from investing for all sorts of reasons – some good, some less so. If your default is to keep all your savings in cash because investing is too risky, read on. It will turn what you think you know about risk on its head and give you good reason to get excited about investing!

About me

When I first stumbled into the world of investing over 30 years ago, I was armed with little more than a Modern Languages degree and a Post Office savings account.

If you're not from the financial world, it can feel like it isn't meant for you and – far from being exciting – the jargon and assumptions about who is investing and how they feel about risk can be alienating. I have never forgotten that feeling and, now that I'm a financial planner, I meet many women who feel the same way.

My goal is to help those women who want the confidence to approach their finances and ask questions like:

- Am I doing enough to provide for the future?
- How much will I need?
- Is a savings account the best place for my long-term money?
- When is it okay to take risk?

You don't need to jump straight into the bewildering details of the investments themselves, but knowing that you've got the basics covered will help you look your future in the eye and take your first steps towards it. And that's exciting!

Want to know more?

Email **carole@talkingfinances.co.uk** or call me on **07969 719407**

1. The big stuff matters

When asked about your attitudes to money and finance, do you instantly think about your day-to-day budgeting? Paying the bills, saving for holidays, earmarking funds for children's activities, or using your Clubcard points?

Many of us are great at finding good deals and squirrelling away cash for unexpected school trips and the like, but never get off the starting blocks when it comes to investing for the long term.

Why is this?

Historically, women have concentrated on the "small stuff" of the household finances, partly because their earnings didn't leave much spare for the "big stuff".

Yes, the equality landscape has shifted in recent decades, but on average women still earn less than men in their lifetimes. This alone can make us inclined to shy away from risk. Which, in turn, makes us ill-equipped to deal with the "big stuff" of investing for the long term and providing for our retirement.

Somewhat ironic when you consider that we tend to live longer than men – and so could really do with a financial boost!

Ask yourself: what do I do when I have spare money? Do I naturally tend to keep it in cash or am I prepared to take some risk with it?

Only 20% of women have investments

A YouGov Omnibus survey from 2018 showed that only one in five women in the UK currently hold an investment product and over half of women have never held an investment product (compared with 37% of men).

And only 28% of women said they would feel confident investing some of their money (compared with 45% of men).

Source: **YouGov**

2. Changing how you think about risk can pay off

When we're talking about money, risk means uncertainty of value.

There is a comfort in knowing that if you put £100 under the mattress, it will still be £100 when you come to take it out again. And if you only have enough money to cover the essential costs of living, you need that certainty.

The historical position of looking after the "pennies" rather than the "pounds" has entrenched a mindset in many women that you shouldn't invest anything that you can't afford to lose. This is absolutely the right mindset if "losing" would mean you can't put food on the table. As we all know, "investments can go down as well as up".

But, if you have any money that you know you won't need in the next five to seven years, there is room for a different mindset.

This is where many women struggle – it can be hard to shake off the fear of risk, even when we are not talking about our "here and now" money.

It can also be hard to overcome the language and imagery used by the investment industry. Historically, the industry has concentrated its marketing on the "alpha male on the street", promoting the notion that taking on risk and coming off better is a personal achievement akin to slaying a marauding dragon.

For the mere mortals who are uncomfortable with the idea of risk, we perhaps need to point out that "investments can go up as well as down".

When it comes to your "long-term" pot, try to reframe how you view risk: less about loss and more about opportunity.

Separating your money into short- and long-term pots is a great starting point. This way, you can single out how you feel about taking risk with the different pots. Money that you know you need in the short term should be kept in cash because you need to be certain of its value.

Money that you know you won't need for at least five to seven years can be invested for growth for your future.

How investment professionals manage risk

Investment professionals deal with risk by pooling a number of investments that work together to provide the right mix of certainty and uncertainty. It is the uncertain ones that will provide the potential for growth – think high-performing Cirque-du-Soleil-style acrobats underpinned by sure-and-steady safety nets. This won't come with any guarantees. But it will come with potential.

3. Doing nothing can be risky

If you still lean towards the seeming safety of a cash account for the long term, think about this: with the certainty you get from taking no risk comes the certainty that there will be no growth.

There is no such thing as a low-risk, high-growth investment! And when you are locking money away for a period of time you are going to need some growth – not least because, in that time, the value of your money will be eaten away by inflation.

Let's go back to the £100. If you leave it under the mattress for 10 years, and inflation is 3% a year, it will buy you less than what £75 can buy you today. If you invest it, and get 3% growth each year, you will at least be able to buy the same amount of goods with it in 10 years' time as you can today.

But it still might not be good enough that your money merely keeps up with inflation.

Most of us need growth for our longer-term pots of money precisely because what we have today is not going to be enough for the future.

Doing nothing can be risky.

However, if we invest in companies that have opportunities to grow their profits, we get the chance to share in that growth. Add to that the power of compounding – which is where you get growth on your growth – and you create the potential for your long-term money to meet your future needs.

If you do nothing, you risk not having enough for your future – as well as risking that your cash will not be worth as much then as it is now.

Invest over the long term for greater returns

Studies going back more than 100 years show that, historically, investing in shares has given a greater return on your money than cash when held for the medium to long term. The longer you invest for, the greater chance you have of your shares growing faster than money left in the bank.

Women and retirement – the stats

A report published by Scottish Widows in March 2021 suggested that a woman in her 20s today will have £100,000 less in her pension at retirement than a man of the same age.

Numbers from the Office for National Statistics (ONS) show that women with dependent children are seven times more likely to work part-time than men.

Source: **Scottish Widows**

4. You are probably already an investor!

If you are in your workplace pension scheme, you are probably already an investor. It works a bit differently for some professions such as teaching, the NHS or the civil service, but most of you are building a pot of money to use in retirement alongside any State Pension that you are entitled to.

Here's a question: how would you feel if you found out that your pension money was being put into a cash account each month and that it will be worth less when you retire because of the effects of inflation?

If that idea shocks you, it shows that you are already conscious of the need for investment growth.

To get that growth, there will be uncertainty of value – aka risk – along the way. It's just that we tend not to think about it too much because it is tied up for the long term.

Perhaps you are not as risk-averse as you thought!

On the subject of pensions, be mindful that the amount that goes into a pension is usually based on your earnings – so the less you earn, the less goes in. On top of this, the life experiences that shape a woman's working pattern – from career breaks to part-time work to downshifting to a job that fits in with family commitments – mean that a woman's pension pot can get neglected. All the more reason to invest your long-term money where it has the potential to grow.

Whether you are saving for the long term in a pension or another type of investment account, the principle is the same.

You need growth because, over time, the value of your savings will erode – and because most women simply won't have enough for the future if there isn't any growth.

If you have a pension, you have already accepted investment uncertainty into your finances. The fact that a workplace pension feels tucked away from our day-to-day living helps to soften how we feel about the risk involved. Try to view any other long-term investments in the same way.

5. You can get growth without paying tax

A popular place to start when investing long-term money that isn't going into your pension is to put it in a Stocks and Shares ISA (Individual Savings Account).

The great thing about ISAs is that any growth you get on your investments within the ISA is tax-free – and there is no tax to pay when you take the money out.

In fact, that is the main function of an ISA: it is an Individual Savings Account that shields any money from tax.

There are four different kinds of ISA – of which the Stocks and Shares ISA is one – and each has its own set of rules about what can go inside.

ISA options – choose one or pick and mix

Stocks and Shares ISA: a tax-free investment account in which you can hold individual shares or funds

Cash ISA: a tax-free deposit account

Lifetime ISA: tax-free savings for retirement or first-time home deposit; can be Cash or Stocks and Shares; has restrictions on age, amounts and withdrawals; benefits from government bonus

Innovative Finance ISA: a tax-free way to lend money to certain types of borrowers

Junior ISA: Tax-free account for under-18s with an annual limit of £9,000; can be Cash or Stocks and Shares.

Good to know: the tax year runs from 6 April to 5 April.

The main rule for all the adult accounts is that you can put up to £20,000 each tax year into ISAs (this is the total you can put in each year – either in one ISA or spread across different kinds).

Making the decision to invest for your future is a big step. But the decisions don't stop there!

With a Stocks and Shares ISA, you also need to choose the investments that go into the account. For someone with modest sums and little experience in investing, there are packages of investments offered by banks, building societies, or online platforms.

You will be asked some questions to determine how much should be invested in the high-flying acrobats of growth versus the safety nets for you to feel comfortable. You will then be offered a suitable set of investments from a limited range.

For larger sums and a greater range of options, you might want to talk to a regulated financial adviser (see below).

Putting your investments in a Stocks and Shares ISA means you won't pay any tax on them – no matter how much they grow!

You can also access the money inside any time you want – making them a flexible alternative for your long-term savings to run alongside your pension.

6. You can invest your money for good

When we talk about investments it is easy to get bogged down in the jargon. All the different names and labels can make it hard to remember that you are essentially backing real companies that make real goods or provide real services to society.

There is a growing choice of investment options that look at more than just the profitability of a company.

Some investment products offer you the chance to reflect your personal values in your investments, including things like:

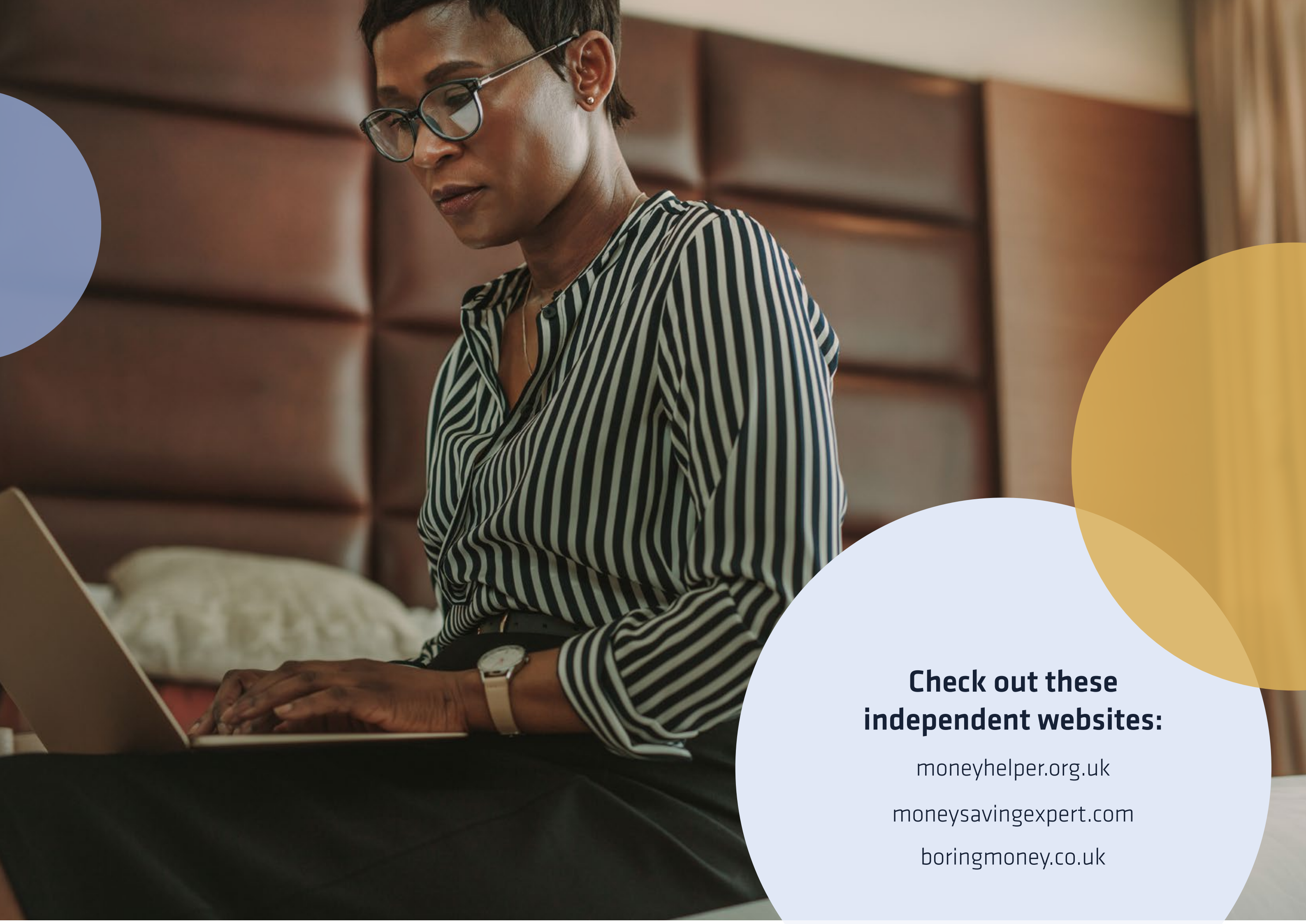
- How a company is adapting to the demands of climate change
- How it is contributing to the solutions required
- How it treats its workers
- Its record on gender equality and diversity
- How much tax it pays.

This approach to investing has many names but the one that best captures its intention is “sustainable” investing – in other words, investing in companies that have their eye firmly on the future.

There are reports suggesting that women are more interested in this type of investing than men.

I like to think of it as an area that appeals to people who previously felt that investing was not for them. It gives them a reason to get excited about something that they have otherwise found hard to relate to. It just so happens that the majority of women fall into this camp of non-investors.

Sustainable investing can be a reason to get excited about investing. Knowing that you are investing your money in companies that are helping to solve the world’s problems – or at least not adding to them – and that are acting decently in the societies in which they operate can feel like you are doing some “good” with your money.



Check out these independent websites:

moneyhelper.org.uk

moneysavingexpert.com

boringmoney.co.uk

7. There are experts who can help

When deciding whether to seek expert advice on investing, you might first like to visit some trusted, unbiased websites that aren't trying to sell you anything.

The more knowledge and understanding you have, the better.

With this information, you can work out if you want to make the investing decisions yourself, be guided by an online or high-street option, or go to a regulated independent financial adviser or planner who will have access to a greater range of investment options.

Generally, the more money you have to invest, the greater the cost-benefit of taking advice.

This is partly because the costs that you pay an adviser upfront will represent a smaller proportion of a larger amount.

Advisers can also help you sort out the tax issues that can arise with larger sums of money.

Bear in mind that not all benefits of advice are related to cost. There is also value in knowing that a professional has set you on the right path and saved you from your own mistakes – especially when investing for the long term. This can be especially comforting when there's stuff going on in the world that makes stock markets act a little crazy.

There's a wealth of information out there provided by the government, consumer websites, and financial companies such as banks, insurance firms, and investment managers.

If it gets overwhelming, consider taking the advice of a regulated independent adviser. Choose one you feel comfortable with and who will help you build your own confidence in "the big stuff".

Stay in touch and grow more confident about investing

Building confidence in an unfamiliar topic takes time, especially if it involves making some shifts in how you view something like risk.

I know from experience that you can pore over the study books until the cows come home, but to get that lightbulb moment you need to make a connection with something that is familiar.

My monthly blog posts are jargon-free and will help you connect how you view finance with your everyday life. If you are excited – or even just curious – about understanding more, you can sign up to receive notifications of new blog posts and upcoming events including in-person workshops that I run for women like you.

If you're excited to build your confidence around long-term finance, **sign up to receive relevant financial blogs** direct to your inbox. You can find all my blog posts on the With Women page on the Talking Finances website as well as more information about how we work, what services we provide and our fees

If you'd like to know more about the workshops that I run or want to start a conversation, **email carole@talkingfinances.co.uk** or **call 07969 719407** for a friendly, no-obligation chat.