

Women face different challenges in retirement planning

By Carol Yip

RETIREMENT planning is supposed to be a systematic way of saving money to ensure a comfortable life during retirement. It is a personal matter, depending on how the person wants to live life and whether he or she is financially savvy and skilful in saving and investing for the future.

But some books, articles and surveys show that men and women aren't exactly equal when it comes to retirement planning. This is attributable to financial physics - women earn less than men over their lifetimes and live longer. There are other factors often cited:

- * Women are risk-averse - they prefer safe investments.

- * Women are too giving - they tend to take care of the needs of everyone else in the family before considering their own needs.

- * Women are disadvantaged at work - there is a glass ceiling for women. They often don't get as many promotions as men. Women are maybe paid less than men due to poor salary negotiations, career choices and institutional biases.

- * Women are stuck with more chores - women who have many roles to play (both at work and at home) have less time to contemplate investments and retirement planning

- * Women are ambivalent about finances - most female investors avoid making decisions for fear of making a mistake. As a consequence, women often defer financial decisions and leave money management to the men in their lives, while single women take an avoidant and slightly passive approach.

- * Women are relationship-oriented - they use money to fulfil relationship needs because of family and friends, and often to fulfil their personal needs for self-esteem and happiness.

Is it a stereotype that women are poorer at retirement planning than men? Though some of the above traits attributed to women may have some truth, it must be noted that if a man is weak in financial resources and skills, has bad attitudes in money management and is poor at executing his retirement plan, he is no better at retirement planning than a woman.

For this reason, I'm hesitant to say that retirement planning depends on gender.

Living a fulfilling retirement life hinges on the person's definition of a meaningful life; sense of ownership and responsibility in managing money; level of skills, knowledge and experience in financial matters (including investments), behaviour in spending money; ability to overcome obstacles in life (including money); and determination to succeed, regardless of tough challenges and obstacles.

When it boils down to fundamentals, planning for women is not much different than planning for men. After all, we share common goals (at least in theory): Wealth maximisation, risk minimisation and cost containment.

Both ought to strive for an optimal investment mix and both should start investing for retirement at an early age to take advantage of the compounding effect in multiplying income growth.

Despite the connotations I've just discussed, there is one positive regarding women and finances. Once women begin to invest, they tend to fare better than men. A behavioural finance study conducted concludes that at times men's overconfidence and hyperactive trading in financial products do result in lower investment returns as compared to those of women.

Women are more likely to be more conservative, while men invest for growth and some may trade actively for excitement or thrill.

Besides the financial know-how and technical aspects of retirement planning, I am also mindful that life failure, crisis and mishap are not gender-determined. It can happen to anyone, any time and anyhow. The same goes for good financial fortune and luck.

In the case of financial disaster, we use our retirement money unexpectedly. These 'financial leakages' can be due to people, crises, circumstances, events, mistakes or actions that are unpredictable or beyond comprehension.

Some of it can happen to woman or man such as unexpected job loss or business failures, accidents, unfriendly divorces, having children with disabilities, sudden death of spouses, mental or health illnesses, ageing parents, natural disasters or simply having a streak of bad luck.

Such situations may be traumatic and they pose psychological challenges as well as financial challenges.

There may also be self-inflicted situations like addictions, cravings, habitual actions, obsessions, impulsiveness, the need for instant gratification, and compulsive behaviour (shopping and gambling, for example) that makes it difficult or almost impossible to save money for either man or woman.

That's why the antidote to the retirement planning conundrum comes down to instilling a healthy dose of financial self-sufficiency. It depends on our actions instead of being in the NATO (No Action Talk Only) state. Gender has nothing to do with it, but the person's attitude has.

- Ms Carol Yip is a certified personal finance coach and author of two best-selling books: "Smart Money User" and "Money Rules". Carol will be speaking at The Women's Forum on August 5, 2010, organised by Asia Inc Forum. To attend the event or get more information, please contact Ms Nanette Ramos at 2226555 or email conference@asiaincforum.com.