

Purchasing Power Vs. Economic Power

By Alexandra Timbas

There is a common market statistic floating around that women buy 80-85% of consumer goods. This statistic indicates that women hold an incredible amount of influence over the consumer market with their extremely prevalent purchasing power. But does purchasing power suggest that women know how to make their money work for them? Is influence over the paper towel market really the only type of influence that women want to have in the economy? The answer is a very emphatic *no*. Women need to understand that buying the groceries or balancing the household checkbook does not equal the power in investing their money for future gain.

Why do women in particular need to know the advantages of investing their money? According to a recent study, 70% of the people living in poverty in the United States over the age of 65 are women. The reason: women, on average, make less than men (still about 78 cents to the dollar), work less over their lifetime than men (time off for having children), and live longer than men on average 7 years. Since they live longer, women need to plan for retirement in a serious way. The problem lies in the fact that they have less time to do so, since they traditionally work for fewer years than men and less money to do it with; and that they make less over time. Women today have approximately 25% of the retirement benefits that men have. The solution? Women need to learn the ins and outs of making the most of the money they do earn by smart investing.

In the UK in 2003, one study of 500 working mothers (of the approximately 2.3 million in the country) spent 90% of their wages on childcare and services for their home. It's easy to see how women can get caught up in the stress of everyday living and have less money working for them. Consequently, it's important that married women gain an equal amount of knowledge and input into the long term financial decisions, and for single women to take an active and immediate role in investing for their own futures.

On average, men trade stocks 45% more often than women, and single men 67% more often than single women. Men clearly have more confidence in and knowledge about investing. It's important to remember that men and women have different styles and goals for investment, and that the stock market isn't the only option available. Women who do invest tend to spend more time researching their choices than men, thus making them more diligent investors, and this should be the standard for all women. Make informed choices, and start now. Here are ten tips for smart investing and retirement planning:

1. **Learn the Language.** 401(k)? Mutual fund? IRA? Compound interest? It's extremely important to know what these terms mean; if you don't you'll never be able to invest with eyes wide open. Read a book, attend a workshop, visit a financial planner—do whatever you can to educate yourself.
2. **Evaluate Savings Goals.** Figure out how much you should be saving each year to meet this goal, so you have a clear picture of what kind of investing you should be doing on a monthly, or even paycheck, basis.
3. **Determine Your Minimum Rate of Return** that you will need to earn on your investment portfolio once you set savings goals.

4. **Take Advantage of Your 401(k).** If your employer offers retirement options like a 401(k), contribute as much as you can right now and consider increasing them if your salary ever goes up, especially if your employer matches your investment! Don't ever pass up free money!
5. **Explore Automatic Investing.** See what your employer and your bank offers as far as investing a small percentage of your paycheck into CDs, mutual funds, whatever. Every little bit helps.
6. **Get Help, but Ask Questions.** Financial planners know what they're doing, but it's important that you understand all that is going on when you use one. How do they choose your investments? When do you pay them? There are many important questions to consider.
7. **Consider Working Longer.** Though not the most appealing option, working a few years past retirement may be one of the best ways to save more for after retirement.
8. **Ask for a Raise.** And then invest that amount!
9. **Be a Smart Shopper.** Consider ways of saving money on everyday things...you'll have more money to invest and therefore more money overall.
10. **Consider an IRA.** If your employer doesn't offer a 401(k), go through the bank to invest in a mutual fund. Put whatever you can into the IRA.
11. **Gifting.** If your parents are able and it fits into their estate planning, have them gift you money every year. Then have them write the check directly to your IRA or investment account and send it directly to your financial planner.
12. **Start Now!** Every day, and every penny counts. Get organized and start investing for your future!

The bottom line is women shouldn't count on anyone but themselves to save for retirement. Even if a woman is married, if her husband dies before her, she will only get a very small portion of his pension, investments, and Social Security. It's important to be aware of the financial decisions that are made in the household, and to be a vocal part of them as well. Women are not just unpaid bookkeepers and grocery acquirers; they should embrace their true economic power by being smart, informed, and successful investors.

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