Financial Assets Women Like The Most

For purposes of today's discussion, I think it's important to reiterate one of the key facts from that podcast and that is that, even though evidence shows women outperform males when it comes to investing, many women are still apprehensive to invest.

The reality is that women in India still invest too conservatively and often can't even outpace inflation, with the average female investor keeping 68% of their portfolio in cash or cash equivalents, like money market accounts, treasury bills or certificates of deposit. This information was based on an article called *Women and Finance: The Pandemic Has Seen a Promising Rise in Female Investors*, by Asha Mary Reji and Meera Mohan, from Aug 2021.

The most fundamental reason for this is because women have less disposable income. This tends to make us inherently more risk averse. Fear, doubt, and uncertainty also prevent women from assuming more risk, as does the mentality that we are expected to stay safe and within our boundaries. Many women are still relatively uneducated when it comes to financial literacy which also contributes to our tendency to stick to what we know.

Despite the economic downturn during the recent pandemic, one of the positive outcomes is that more women started to invest. In fact, according to a 2022 survey conducted by Scripbox, a digital wealth management company, around 1 in 5 women started investing for the first time amidst the pandemic. The survey indicates a growing trend of women taking greater control of their money, which was accelerated by the economic impact of the pandemic.

The good news is that women have many inherent tendencies that make us good investors, like our good savings habits, attention to detail, and desire to not act hastily during periods of market volatility. Despite this, and the fact that numerous research studies have proven that women are, in fact, amazing investors, many women end up just saving and not investing, leaving us in a position where we can't keep pace with inflation and grow our hard-earned money.

Yes, we are headed in the right direction, but we still have a lot of work to do because, in fact, India ranks in the bottom quartile when it comes to female participation in equities and the stock markets. We already discussed a variety of reasons why this is the case, including culture and tradition, among others, fear, and a lack of confidence.

In addition, women are often at a disadvantage regarding information because our financial networks are typically smaller and less diversified, and we are, therefore, less likely to obtain referrals from others in our networks. Many women also fear seeking help when it comes to investing. The reality is that there are so many unknowns in life, and one of the best ways to be prepared is to invest for the future and for whatever may come your way.

According to the same Scripbox study, mutual funds are the preferred investment for 22% of the women surveyed, followed by equities and gold. 34% of women prefer to put their money in a mix of traditional investment options like fixed income, recurring deposits, PPF and savings accounts. Unfortunately, heavily investing in traditional options, like fixed income and gold, will NOT allow you to keep pace with inflation and to build wealth for the future. And rising gold prices, low returns on fixed deposits and real estate make it more important than ever to move from investing in physical assets to investing in financial assets, like equities.

According to this same survey, 33% of Indian women do not invest at all, and 55% of the women in our country are either not investing or are unaware of their investments, if they have any. In addition to lacking time, resources and confidence, many women still fear seeking help and assistance when it comes to investing. The good news is that, when women invest, they act more as investors and less like traders, like their male counterparts often do.

One of the biggest impediments to women and investing are our time constraints, given that many of us have careers in addition to being primary caregivers, often of children and our aging parents. Women also tend to lack role models, which makes it more difficult to invest when you lack peers or family members to turn to for advice. And many women still lack financial independence despite having income because we simply don’t have the time to research and trade.

If women want to achieve financial independence and equality, investing is a key way to do so. If you want to invest successfully, it is imperative to learn at least some investing skills. I encourage you to learn more about some of the basics, like the importance of diversification and the practicality and ease of paying yourself first through a Systematic Investment Plan or SIP.

If the money comes directly out of your pay cheque or bank account, it is so much easier and less painful to give it up! Also, I urge you to take time to determine your financial goals and the best investments to help you get there.

Long-term life goals are typically the priority for women investors. According to the 2022, Scripbox survey, 20% of women indicated that saving for retirement is a priority while another 20% indicated that saving for their children’s education is a priority. Women under the age of 35 wish to make more money as their next most important financial goal while women over 35 years have said that they would prefer to create an emergency fund.

What worries me about this research is that the goal of saving for retirement is only a priority for 20% of women. Given the fact that women continue to make less money than men, we typically work for less time than men and, according to 2022 World Health Organization statistics, our life expectancy is 72.2 years versus 69.5 years for Indian males, there is a potential high risk that a high percentage of Indian women will have insufficient funds with which to retire.

It's obvious that women can no longer rely on our traditional go-to financial assets. So, yes, investing is imperative. And it's great to see that women in India are making some positive steps in this regard. It's amazing to see more women than ever be more motivated to save, invest, and take control of their financial journey. We all need to ensure that saving for retirement is a priority. We can't rely on thinking that our husbands will look after us at retirement.

That would be lovely, but there is a possibility that some of us will be single when we retire, or our marriages may not work or, worst case scenario, we may be widowed with children to support. Starting as early as you possibly can is an important place to start. You also need to maximize and benefit from the many different schemes available, like the Public Provident Fund and Employee Provident Funds, for example. Familiarize yourself with every available option and build as much saving for retirement as you can into your budget.

It's important to invest smartly which means getting your asset allocation right and visiting it regularly. Where appropriate, be as aggressive as you can with your asset allocation, which means investing less in more fixed income and more in equities, which will bring you potentially higher returns over time. Ensure that, however you invest, you take into account the eroding effects of inflation and taxation, and that you create your portfolio accordingly.

I also advise women to ensure you have adequate insurance coverage. The younger you commit to a policy, the better your rates will be. You may also wish to consider the option of working longer to help you reach your retirement goals.

One is that women should not be afraid to push for higher salaries during either your regular reviews or if you change jobs. It is perfectly acceptable to bargain for your salary, a tactic that men frequently use, but women tend to shy away from doing this. The way I think about it, I always say "the worst that can happen is that they say no". But you won't get more money if you don't ask for it. So just try. Of course, the more you earn, the more you can contribute to your retirement savings.

Above all else, you must keep educating yourself. Just like anything you take on in life, the more you know, the more confident you will feel. Don't let yourself get overwhelmed. If you're earning an income, you've already proved that you have what it takes to invest. So don't procrastinate, start asking questions, and get your money working for you.

Certainly, what women tend to do is to stick to financial assets like traditional saving instruments. Unfortunately, these are the kind of financial assets that we have stuck to for too long, and that won't enable us to meet our financial needs or goals, both now and in the future.

What we must do is to step out of our comfort zones, keep up this newer trend for women of investing, invest as aggressively as our age and other key factors permit, and to stop putting our money into gold or, even worst, under our mattresses! Even though retirement may seem like a long away for many of our listeners today, the earlier you start saving, the happier your retirement will be.

And, if you haven't started for your retirement or haven't started that emergency fund yet, it's time to revisit your budget and see what you can cut back on to instead put towards these important financial goals. It isn't always easy, but it IS possible.

An Investor education and Awareness initiative of Aditya Birla Sun Life Mutual Fund

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