Five Ways Women Sabotage Their Financial Futures

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What good will it be for a woman if she saves the whole world, yet forfeits her financial future?

While both men and women can make a variety of costly financial blunders, many women seem to be plagued with a gender-specific set of tendencies that sabotages their relationship with money.

"I call it the Statue of Liberty or Mother Theresa syndrome. Women want to save the world," explains Lynn Ballou, a certified financial planner with Ballou Plum Wealth Advisors. "I think women are just hard-wired that way."

For example, despite the broad economic gains women have made in recent years, they still lag in saving for retirement, according to the sixth annual Retirement Survey from Wells Fargo & Company. Although both men and women are underfunded for retirement, of those surveyed, women had saved less than men -- a median of $20,000, compared to $25,000 for men, the survey showed. Women also set their sights lower than men: Whether married or single, when asked how much they thought they would require in savings to support them during retirement, women said they were aiming for a median of $200,000, whereas men predicted they would need retirement savings of $400,000.

Those statistics are troubling because if longevity is a race, women are usually the winners, says Mitchell Kauffman, a certified financial planner with Kauffman Wealth Services. The average woman lives 80.2 years, vs. just 74.5 years for men. Wives live 8 to 10 years longer than their husbands if they are married when they're the same age. And more than 75% of women will eventually be widows. Given those odds, it's abundantly clear, says Kauffman: "Women must take hold of their financial futures."

But to do so, many of them will need to make some changes in their heads and hearts.

Learn to Just Say No

A bleeding heart can be murder on a budget -- especially when it comes to our offspring.

"We women are more willing to support adult children, even if we can't afford it," says Marilyn Capelli Dimitroff, a certified financial with Capelli Financial Services. " We provide help when 'children' run into difficulties, like losing a job, get divorced or need a new car. We bail them out, even when the problem is of their own making."

"It's hard for women to sympathize with their children and not offer financial help," she adds. "I've had women clients literally impoverish themselves to help adult children who have not taken responsibility for their own actions."

Likewise, says Kauffman, a woman will often fund her children's education before her own retirement, or loan money to relatives that may never be repaid. But making the needs of everyone else a higher priority than your own is a mistake.

"Pay yourself first," he says. "I tell clients if they have ever flown, they have heard the flight attendant remind them to put the life vest and oxygen mask on themselves first, even before they help family members."

Face Your Fear and Fight Procrastination

"One of the most common pitfalls I see with women is their choice to do nothing at all," says Christine Nigro, president of AXA Advisors. Some don't have the confidence to take on financial matters, others leave it to their significant others and some, like the 36% of married women surveyed by Prudential in 2008 who said "the immediate needs of my family/my children take priority". Nearly 40% of single women agreed with the statement: "I just don't want to spend the effort." Among those within five years of retirement, 34% said, "I'm afraid to make the wrong decision, so I tend to avoid thinking about it."

Also, 72% admitted to procrastinating about financial decisions. "Women are busy, raising children, working, taking care of aging parents," says Theresa Harezlak, a financial advisor with Savant Capital Management. "I hear many women say they will start paying attention to their financial life some time later. The problem is, the time doesn't happen."

Some studies have suggested that stereotyping and cultural imprinting may also play a role in women's reluctance to take action to secure their financial futures, says Mary Quist Newins, a certified financial planner and professor at The American College, which offers financial education for securities, banking and insurance professionals. She points to a 1997 Dreyfus Gender Investment Comparison Survey that found that "parents encourage their sons to start earning money at a far younger age (13) than girls (16-18), and twice as many boys are encouraged by their parents to save their money."

Like anything else, managing personal finances is a learned skill and must be practiced, says Nigro. "Ask questions. Get as much information as possible, and keep asking until all your questions are answered. Don't ever feel you are bothering your financial professional with too many questions. It's their job to answer them." Knowledge will bring confidence and action.

Secondly, get comfortable with change. "Money is not a person, you cannot hurt its feelings," says Nigro. "If you don't like what your investments are doing, change them -- but don't be too hasty. Evaluate your investment strategy by taking another look at your current situation, future goals and appetite for risk."

"Procrastination is not a strategy," she adds. "Your money will not take care of itself."

Falling Into the Style Trap

"Materialism is at an all time high. I've interviewed women of all ages who say they'll purchase the 'in' item, be it a designer bag or jacket, despite that it's not affordable," says Susan Shapiro Barash, a gender expert and author of*You're Grounded Forever ... But First, Let's Go Shopping*. Some only go for the best, be it in travel, dining or even the gym.

"Money is power, and some women covet this since our society emphasizes financial status. It is part of how we define ourselves, those with money have clout," she says. "We are very influenced by the media and by celebrities to purchase stylish clothes and accessories. Women are motivated to be stylish, to express themselves through their appearance."

That message is handed down to their daughters, who by grade school also want the "in" pair of sneakers. By high school, mothers say they could go broke at the mall with their daughters, notes Shapiro Barash.

Take the Emotions Out of Your Finances

Women are emotional beings, and when feelings are left unchecked in the financial realm, the results can be disastrous.

"Emotional money decisions are almost always bad money decisions," says Deana Arnett, a certified financial planner with Financial Planning Services. "Whether the emotion is fear, greed, jealousy, anxiety, happiness, it can cause women to make imprudent money decisions."
When emotions rule, it's easy to justify all sorts of things. "I deserve to take this expensive vacation. So what if I have to put it on a credit card," says Arnett.

"You can't spend money to compensate for emotional needs," says Kauffman. Retail therapy is no substitute for dealing head-on with whatever the real issue is. "Create ways to get through difficult times that don't require spending money," he says.

Money also can't buy you love. Resist the urge to express your love by lavishing expensive gifts on the kids -- especially to ease guilt after divorce. Likewise, don't ply boyfriends and husbands with pricey presents. Girls in shopping overdrive can bust even the best-planned budgets.

Also, while you may want to be a "helpmate," joint accounts and giving a partner an authorized user credit card are no-nos, warns Tracy Becker, president of North Shore Advisory, a credit restoration company. And co-signing for a car "is a kiss of death," financially speaking. "I've seen many women ruin their credit because they were helping a partner," says Becker.

Money isn't just about money.

"How we relate to money is a statement about our inner emotional world, like overeating, depression, and drinking to excess," says Pegi Burdick, The Financial Whisperer. "Staying on a budget is impossible for any length of time because it does not address the root of the problem. You cannot fix something from the outside in that needs to be from the inside out."

"The surefire way to take emotions out of the money dance is to dig deep and see where the original damage of their childhood happened," she explains.

Believe in Yourself and Move Forward

"Women are smart. They need to trust themselves and their ability to manage their financial life," says Harezlak.

Sometimes, it's about patience.

"I have been working with a divorced woman who cried at every meeting over the course of the first year," recounts Constance Stone, president of Stepping Stone Financial. "Her former husband was a CPA who handled all family finances, investing and tax preparation. My client was totally at a loss when trying to understand her finances and felt frustrated by her lack of knowledge."

After about 18 months of working together, she stood up one day and gave the touchdown sign with her arms. She exclaimed to her husband (who was not present) "I don't need you anymore to handle this!" Says Stone: "It was very rewarding to see how confident she had become over time. At one point, she lost her job and was again distraught. She began consulting while job-hunting. She now earns much more than she did while employed and is socking away a substantial part of her earnings through an individual 401(k) plan. She feels confident about her financial security."

Experts like Hilary Kramer of GameChangersStocks believe women can be better than men in the investing arena.

Women need to trust their instincts because their instincts are good, says Kent Thune, who blogs on Savings.com. Change who's on top of the priority list.

"Force yourself to save for retirement and to educate yourself. Teach your daughters the same," advises Shapiro Barish.
Women hold more than half of high-paying management and professional positions in the U.S., and three women are in college now for every two men. With all the gains they've made in other arenas, there's no reason women can't conquer the money management game too.

*Tagged:*401k,adult children,budget,budgeting,college tuition,depression, emotions, envy, fear, greedy, household budget

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