WOMEN AND THE BARRIERS TO INVESTING

A report exploring the financial concerns of women and what may be holding them back from investing in the stock market.

In partnership with:

stockspot

Women's AGENDA

ABOUT WOMEN'S AGENDA

Women's Agenda is a 100% female-owned, independent news hub for career-minded women.

We publish daily news and views regarding how we live and work, and regularly advocate for measures that can better support women in the workforce.

We support our journalism by working with clients on strategies they can use to successfully engage with this audience through content, bespoke events, advertising, sponsorships and research.

ABOUT STOCKSPOT

As Australia's first and largest online investment adviser, we believe that investing to reach your goals needn't be expensive, time consuming or difficult.

Stockspot builds you a diversified investment portfolio using nobel-prize winning research. Your portfolio is built based on your goals, time-frame and capacity to take risk.

Diversification is achieved by using ETFs (exchange traded funds) to keep costs low and give you access to a range of investments. Think global shares and Australian shares for growth, combined with government bonds and gold for security. We regularly review your portfolio to keep your investments on track using smart technology to keep costs low.

Our expert team is based in Sydney and is focused on helping all Australians achieve financial freedom.

Get your personal portfolio recommendation today at stockspot.com.au

A NOTE FROM STOCKSPOT

Investing in the stock market is one of the best ways to get ahead and establish future independence.

Outside of owning a successful (and profitable) business, a high paid career or winning the lottery, there are few ways to really make money.

Even when you consider events like the global financial crisis, investing has provided the best financial returns in the long-term. Australian shares have returned around 11.5% p.a. over 100 years and other investments like global shares and bonds have also done much better than leaving your money in the bank.

Investing is one of the few areas where you can take a relatively small amount of money and grow it to a substantial amount. It can significantly change your long-term financial future.

A dollar invested in Australian shares 30 years ago would now be worth about $14. So what? A dollar left in a savings account would be worth less than $5. This example of compound growth may seem like an arbitrary calculation, but it is this compound growth that the many women in Australia miss out on.

A conversation about women and their money

Fewer women than men invest and this leads us to ask the question, why? It's a question we want to try and understand and hopefully effect some change.

According to the results from this survey run in partnership with Women's Agenda, we've been given a few clues why.

Australian women were asked about their strategies for wealth accumulation and any perceived roadblocks that held them back from investing in the stock market. The story that emerged was at the same time complex and yet not surprising.

But many of the barriers to wealth accumulation identified in this report can be overcome, especially when it comes to the lack of confidence some women feel about getting involved. We've shared some ideas in the concluding remarks of this report along with some tips on how to get started.

Sarah King
Head of Advice & Client Care
Stockspot

CONTENTS

< back to contents >

INTRODUCTION

There has never been a better time to start a conversation about women and their money. The cultural zeitgeist seems to have finally landed on women and the inequality in all spectrums of life from career, to parenting and the sports field, to name a few.

There has been progress across many facets of women's equality, but progress in terms of wealth accumulation is still too slow.

Indeed, many women report serious concerns for their financial futures. But while the good majority also have specific financial goals in mind, a number of barriers may be standing in the way of them taking up investment options that can help.

That's according to the responses of more than 800 women to an online survey Women's Agenda ran in partnership with Australian online investment adviser Stockspot, in the first quarter of 2019. Australian women were asked about their strategies for wealth accumulation and any perceived roadblocks that held them back from investing in the stock market.

This report details what we learnt from these women, but in short some of the leading barriers to investing include:

> *"It is well documented that the gender pay gap, the motherhood penalty, career breaks, caring responsibilities and long stints of working part time* **contribute to women falling behind men when it comes to wealth accumulation"**

A lack of money

The number one barrier was expected with 59 per cent of respondents ticking this as holding them back from investing.

Fear of losing money

Understandably concerns over the fear of losing money and the risks involved were also high on the barrier list.

Trust issues

A lack of trust – including in banks and financial advisers – may also be prohibitive. Sixty-six per cent said revelations from the recent royal commission into banking misconduct had affected their trust. The respondents were far more likely to trust their own online research above anyone else when they seek financial advice.

Confidence and knowledge

Some of the leading barriers women reported as preventing them from investing in the stock market included a 'lack of knowledge on how to do it' (56%) and a 'lack of confidence in my ability to get started (48%)'.

These barriers, perceived or otherwise, are concerning, given women are already disadvantaged when accumulating wealth and establishing financial freedom.

It is well documented that the gender pay gap, the motherhood penalty, career breaks, caring responsibilities and long stints of working part time contribute to women falling behind men when it comes to wealth accumulation.

It's also common knowledge that women retire with significantly less superannuation than their male counterparts. Recent research from Rice Warner found men aged 30 to 60 currently have 42 per cent more superannuation than women in the same age bracket -- any gaps in investing could signal missed opportunities for women to help bridge this divide.

Future concerns

Our survey respondents are well aware of the personal financial risks they may face. More than half (53 per cent) declared they lacked confidence that the savings they are currently accumulating or have accumulated will be enough to support them leading up to and beyond retirement.

When asked about their biggest financial concerns, a number of worrying trends emerged in the long answers highlighting just how tough many women currently have it in Australia. Some declared they were living week to week, often while sole parenting, while others had suffered unexpected life events such as a death in the family, divorce, disability or a serious career setback such as redundancy; heightening their fears for their financial futures.

Financial expectations

None of this is to say that our respondents lack financial ambitions or the nous required to invest. More than three quarters declared they have 'specific financial goals' they are looking to achieve or have achieved.

We also found that the majority of women hold significant power when it comes to family finances, with four in five (79 per cent) saying they were responsible for the majority of purchasing decisions in their household.

No two women are the same, but we believe the trends in these results offer some insight into what might be holding women back from investing, and other barriers that may be contributing to the wealth divide between men and women.

This research will add to the conversation that needs to happen around women and money and aim to address the disparity in wealth accumulation.

< back to contents >

KEY STATISTICS

Of the 827 women who responded to the April 2019 online survey:

79% ARE RESPONSIBLE FOR MAKING THE **MAJORITY OF THE PURCHASING DECISIONS IN THEIR HOUSEHOLD**

57% CITE A **'LACK OF TRUST IN THE ADVICE THEY OFFER'** AS A BARRIER STOPPING THEM FROM SEEING A FINANCIAL/INVESTMENT ADVISER

53% HAVE PERSONALLY **SEEN A FINANCIAL OR INVESTMENT ADVISER.**

48% CITE A **'LACK OF MONEY TO MAKE IT WORTHWHILE'** AS PREVENTING THEM FROM SEEING AN ADVISER

45% **agree** *they have 'specific financial goals in mind' that they would like to achieve or have achieved.* **A further 32% strongly agreed** *with the statement.*

66% AGREED THAT **REVELATIONS FROM THE BANKING COMMISSION HAVE AFFECTED THEIR TRUST** OF FINANCIAL INSTITUTIONS AND ADVISERS

KEY STATISTICS

Of the 827 women who responded to the April 2019 online survey:

53%

DISAGREED OR STRONGLY DISAGREED THAT THEY ARE 'CONFIDENT' THE SAVINGS THEY ARE CURRENTLY ACCUMULATING OR HAVE ACCUMULATED WILL BE **ENOUGH TO SUPPORT THEM LEADING UP TO AND BEYOND RETIREMENT.**

48%

SAY A **'FEAR OF LOSING MONEY'** HAS HELD THEM BACK FROM INVESTING IN THE STOCK MARKET.

50%

SAY THEY INVEST IN A **HIGH INTEREST SAVINGS ACCOUNT**

37%

disagreed they would **feel confident investing in shares if they had the money to do so,** *a further* **17% strongly disagreed**

44%

BELIEVE WOMEN ARE SOCIALLY DISCOURAGED FROM INVESTING IN THE STOCK MARKET

57%

HAVE **INVESTED IN SHARES** AT SOME POINT

WOMEN, TRUST & MONEY

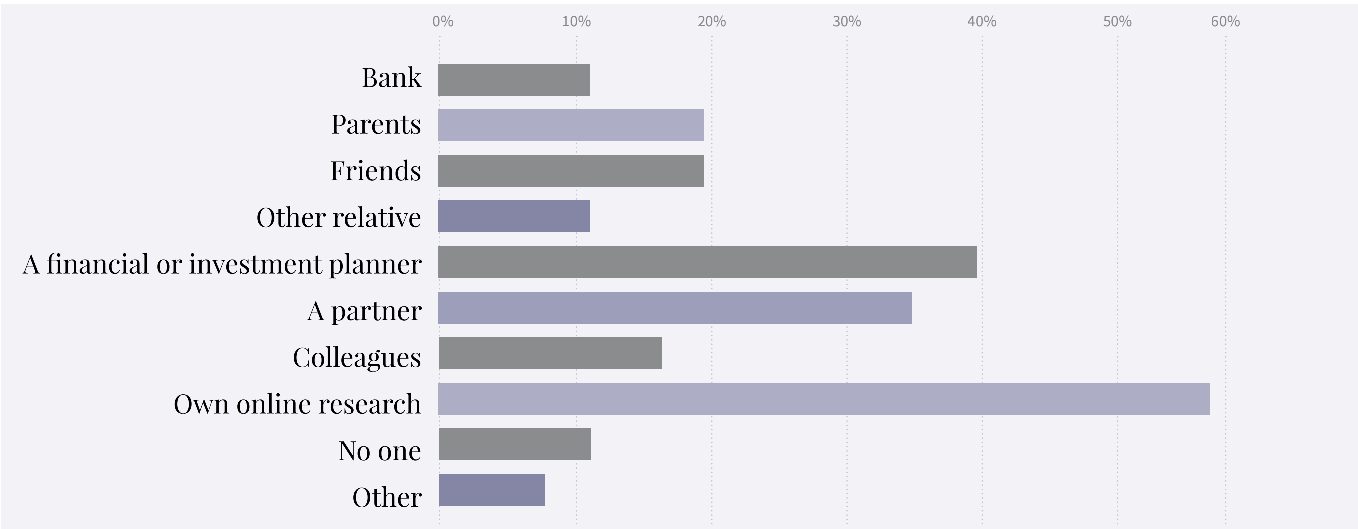
Who and what do women trust when it comes to discussions on their finances and financial goals?

The results indicate there is a serious trust deficit between women and the traditional sources of advice. So much so that above anything else, women trust their own online research.

57 per cent of respondents listed this as their current, trusted approach in seeking advice and information, compared with 39 per cent who said they felt most at ease with advice from their financial or investment planner. 37 per cent said they would trust a partner, while just 12 per cent said they would trust a bank – the same proportion of respondents who ticked that they trust 'no one'.

Perhaps, unsurprisingly, the 2018 Royal Commission into the banking sector had eroded some trust women held for traditional banks, with 66 per cent of respondents declaring they agreed or strongly agreed that revelations from the commission had damaged their trust in financial institutions and advisers.

Who do you currently trust to discuss and seek advice from on your finances and financial goals?



SINGLE WOMEN

60%

reported a lack of confidence in their savings for the future.

47%

felt they had too few options for investing.

63%

felt that a 'lack of money' to invest had held them back from investing in the stock market

More than half of respondents (56 per cent) indicated they had personally seen a financial/investment adviser at some point.

As for those who had not, when presented with a list of reasons regarding why, 57 per cent said it came down to a *'lack of trust in the advice they offer'*. 48 per cent said it was the '*lack of money to make it worthwhile'* and 46 per cent said it was because the fees were too high.

What holds women back from investing in shares?

While 57 per cent of respondents have at some point invested in shares, almost all agreed there were things that have stood in their way. The leading barrier was a predictable one – with 59% citing a 'lack of money to invest' was an issue.

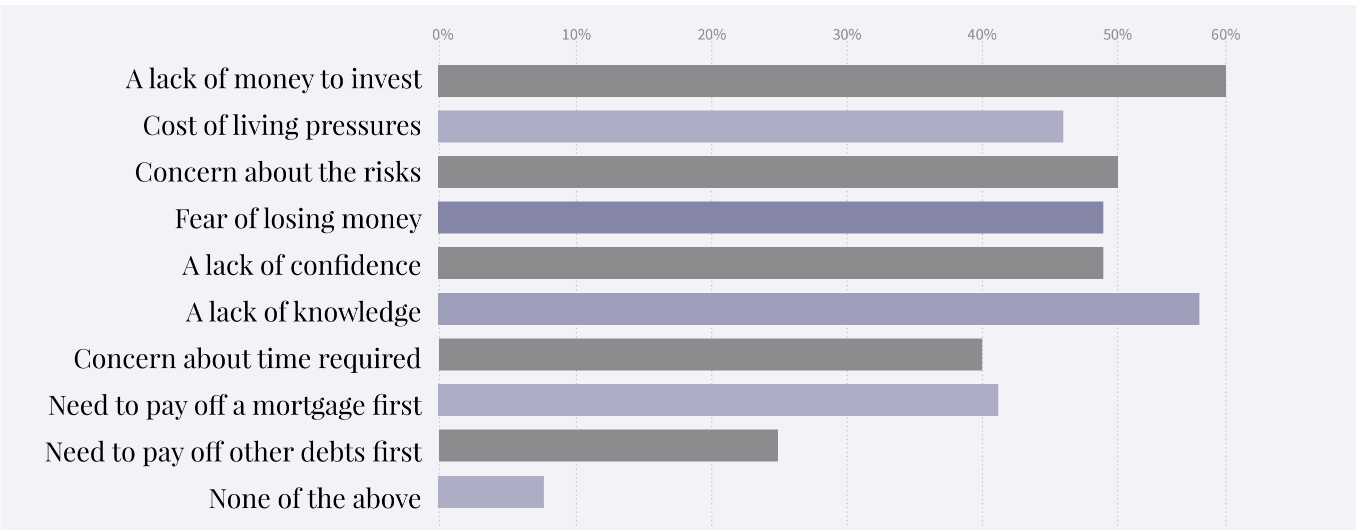
Lack of knowledge

The majority of women also cited feeling apprehensive and under-prepared about investing in shares. 56 percent put it down to a 'lack of knowledge on how to do it' while 48 percent noted 'a lack of confidence in my ability to get started'.

Fear of losing money, along with the risks involved, also came up as leading responses. Only 32 per cent of respondents said they agreed or strongly agreed that they would have the confidence to invest in shares if they had the money to do so.

The figure was much higher when women were asked if they would have the confidence to invest in property, with 61 percent agreeing they would. This tied in with another emerging trend which saw a large percentage of women saying they'd be more inclined to pay off other debts before investing in the stock market, including 41 percent who said they'd opt to pay off a mortgage first.

Have any of the following ever held you back when it comes to investing in shares?



< back to contents >

CHALLENGES ACCUMULATING WEALTH

The survey results indicate women have some major concerns for their financial futures and are questioning how they will fund their retirement.

While more than half (53 per cent) declared they agreed or strongly agreed with the statement, '*I feel financially independent*', around a third either disagreed or strongly disagreed.

But when it came to long-term financial independence, less than a third (30 per cent) of respondents agreed or strongly agreed with the statement: *'I feel confident the savings I'm currently accumulating (or have accumulated) will be enough to support me in retirement'.*

Twenty three percent strongly disagreed with the statement, suggesting a huge proportion of women still lack appropriate financial security.

Women have plenty of reasons to be concerned, and now have more access to information and news regarding the gender gap in superannuation savings. Women retire with around half (47 per cent) less superannuation than men, according to Women in Super, but live an average five years longer than men. Women in Super has also identified that 8.5 per cent of women aged 65 to 74 still have a mortgage, while there is an increasing number of women in Australia retiring into poverty.

As well as career breaks and the fact women make up the majority of the part time workforce, women's ability to accumulate wealth is also hindered by the gender pay gap; with women working full time earning 14.1 per cent less than men, according to February 2019 figures from WGEA, calculated using ABS data.

When asked to directly list their biggest challenge to accumulating wealth, some clear trends in the written responses to our research emerged. These included challenges associated with caring responsibilities, divorce, ill health, single parenting, periods out of the workforce and difficulties in securing work emerging.

Long stints of working part time (especially in combination with career breaks) came up – not only as limiting a woman's earning capacity and superannuation, but also in limiting the options available to secure better paying work once women were ready and able to return to a full time role.

Likewise, the gender pay gap was mentioned, with several women citing their frustration at not being promoted or awarded pay rises they felt they deserved. The high costs of rent – as well as the inability to save for a deposit to invest in property – also cropped up, especially among women aged 35 and under.

Some respondents noted a lack of trusted advice as challenging, as well as a perceived lack of support and guidance. Others felt they lacked the time (and in some cases the energy) to do the research required for investing, or to make appointments and other meetings with those that could help.

Women also listed poverty and the cost of living as prohibitive. Indeed, cost of living pressures came up more than 61 times, with a large number of women indicating their salary simply wouldn't support investment opportunities. Domestic violence was also a factor for a concerning number of respondents.

WHAT HAS BEEN YOUR BIGGEST CHALLENGE WHEN IT COMES TO ACCUMULATING WEALTH?

"Caring responsibilities, time away from work, working part time & impact on my career progression has reduced my income & superannuation"

"Real life costs too much! Leaves little discretionary income left over to invest!"

"Just when I've got some extra money in the bank, a tidal wave of bills comes along."

"Living out of home whilst at uni meant no savings, living week to week, which has remained the same as I've moved through my 20s even though I'm not at uni anymore. It's a habit now so it's hard to break."

"The costs of raising children without a supporting partner"

WHERE ARE WOMEN INVESTING?

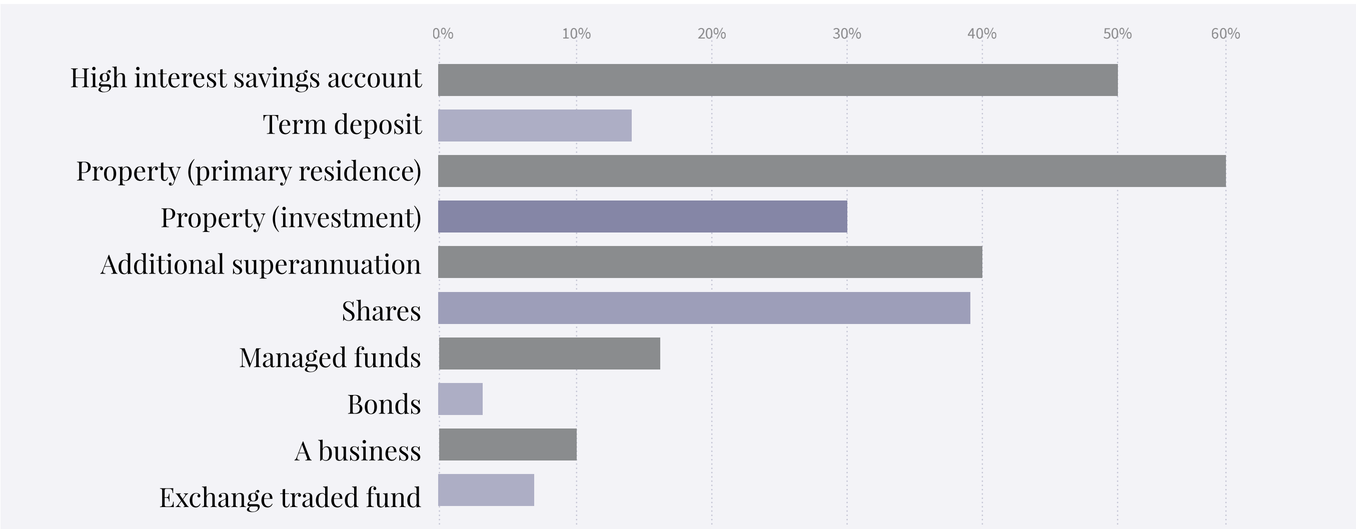
So where are women putting their money?

When presented with a list of options on where they currently invest, 60 percent of participants ticked property (their primary residence), making it the number one response.

According to ABS stats, 60 per cent of women own their own home either with a mortgage or debt free, compared with 56 per cent of men. The figure drops to 27 per cent for women under 35 and 21 per cent for men in that age group.

Meanwhile, half (50.4 per cent) of respondents said they were currently investing in a high interest savings account. 39 per cent reported making additional superannuation contributions, 38 per cent had invested in shares, and 29 per cent had put money into an investment property.

Do you currently invest in any of the following?



< back to contents >

KEY STATISTICS

WOMEN AGED 35 AND UNDER

When it comes to women aged 35 and under, there are some trends that emerged from our research worth mentioning.

Obviously younger women have had less time to build their wealth through opportunities like shares or property, and this was evident in the results.

Still, there were some interesting contrasts to note. 31 per cent of those aged 35 and under have seen a financial or investment adviser compared with 63 per cent of those aged over 35.

Just 36 per cent of the younger demographic have invested in property, compared with 69 per cent of those aged over 35, with similar findings for those who have ever invested in the stock market.

Those aged 35 and under were also more likely to be concerned about the risks involved in the stock market.

While these results for younger women may speak to a lack of experience investing, they could also point to the fact that younger women are more concerned about the risks.

JUST 31%

HAVE EVER SEEN A FINANCIAL OR INVESTMENT ADVISER.

48%

REPORTED A 'LACK OF TRUST IN THE ADVICE THEY OFFER' HAS HELD THEM BACK.

25%

DISAGREED THAT THEY CURRENTLY FELT FINANCIALLY INDEPENDENT, WHILE A FURTHER SEVEN PER CENT STRONGLY DISAGREED

42%

DISAGREED THAT THEY WOULD FEEL CONFIDENT INVESTING IN SHARES IF THEY HAD THE MONEY TO DO SO, WHILE A FURTHER 24% STRONGLY DISAGREED.

29%

AGREED OR STRONGLY AGREED THAT PROPERTY WAS THE BEST OPTION FOR SECURING FINANCIAL FREEDOM.

42%

HAD INVESTED IN SHARES

56%

CITED 'CONCERN ABOUT THE RISKS INVOLVED' AS A REASON FOR NOT INVESTING IN SHARES.

38%

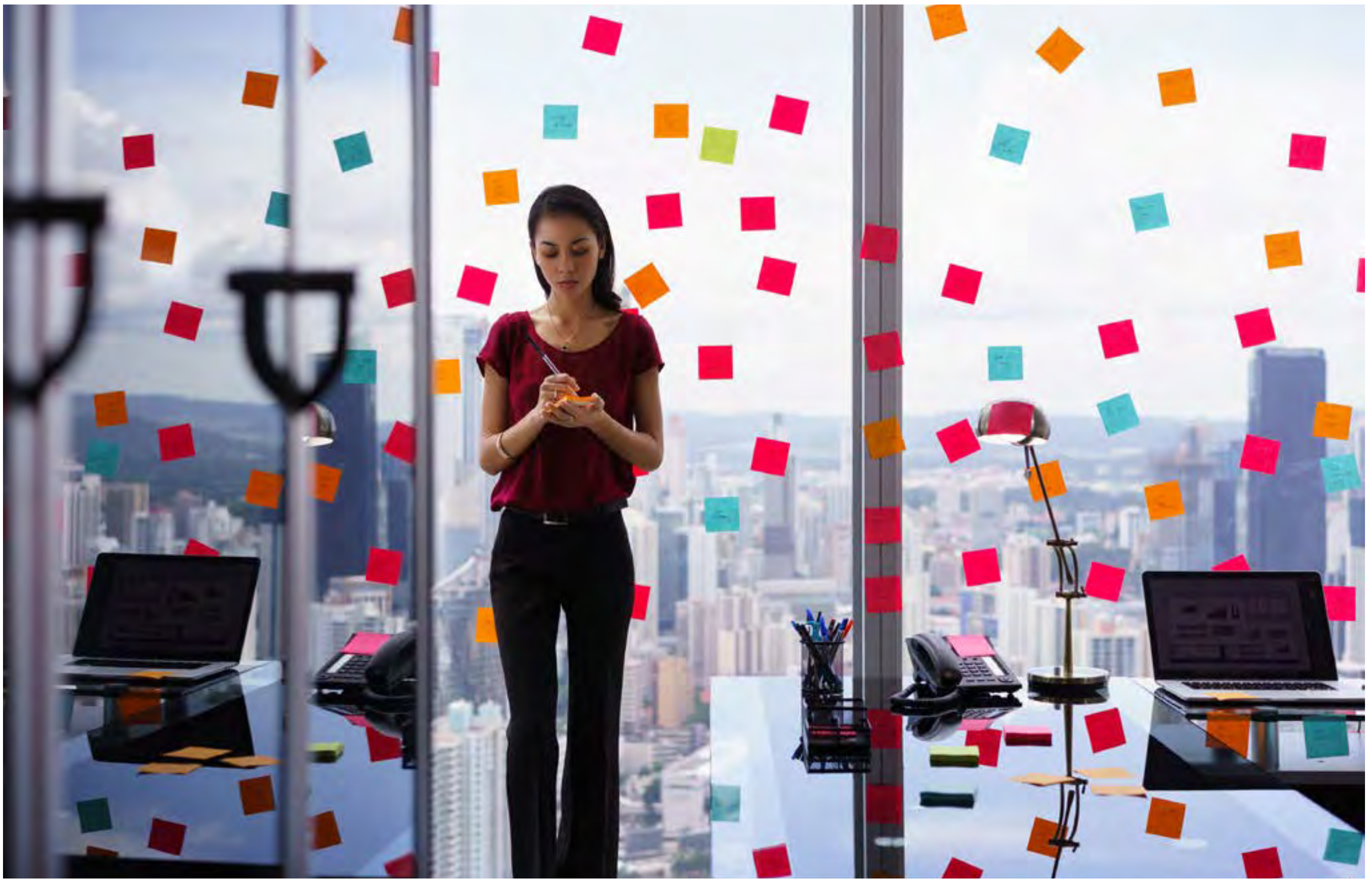
CITED CONCERN ABOUT TIME REQUIRED TO KEEP UP ON THE LATEST INFORMATION

70%

SAID THEY CURRENTLY INVESTED IN A HIGH INTEREST SAVINGS ACCOUNT

36%

HAD INVESTED IN PROPERTY (THEIR PRIMARY RESIDENCE)



CONCLUSION

Beyond investing barriers

We're often led to believe that women have less appetite than men for investing in the stock market, or that they lack the confidence to do so.

Certainly, some recent research suggests this may be true, with a 2019 report from Fidelity International indicating an 'investment gap' between men and women. According to the study, just 48 per cent of Australian women hold investments or savings outside of their superannuation accounts compared with 55 percent of men.

Such findings are concerning, particularly when women already face a number of financial penalties during their careers including a persistent gender pay gap, career breaks and often long stints of working part time. Our research shows there are several barriers women perceive to be standing in the way of them investing in the stock market including a lack of knowledge and confidence on getting started, and fears regarding the risks involved.

These are barriers that may present lost opportunities for women to get the most out of their savings, no matter how limited these may be.

Tech innovations in the financial space, along with a growing range of low cost, online investment advisers are presenting more options for men and women to invest even small amounts of money, regardless of the time and knowledge they have. It is no longer necessary to have thousands in savings to gain good investment advice.

This research was made possible thanks to the support of Stockspot and has presented a snapshot of women and investing – but also raised some very real concerns women have about their financial futures.

Women's financial security is an issue regularly written about on Women's Agenda, and something the publication will continue to advocate on in the future.

< back to contents >

FINAL REMARKS FROM STOCKSPOT

Investing in the share market is easier than ever. Technology and automation have allowed online investment companies like us to remove the prohibitive costs and the difficult decisions of ‘what to invest in’ identified by women as a key barrier. However, good investment strategies are no longer something only the wealthy can access.

Boring investing is brilliant

Fears around losing money and the risks involved are understandable. We think some of this comes from the unfortunate portrayal of ‘investors’ depicted in films like the Wolf of Wall Street. These characters are not really investors. They’re speculators, and as crude as it sounds, they’re hoping to make a quick buck in the short them. That is risky.

Obviously, there’s fears of market crashes as well. However, when it comes to investing the chance of losing money is greatly diminished as long as you’re investing for at least a few years and are broadly diversified across different investments. If you invested in a portfolio of diversified Australian shares across any 10 year stretch over the last 100 years you would have made money.

Investing doesn’t need to mean buying and selling shares. More often than not, simply staying invested in a well-diversified portfolio and doing nothing is the best course of action. It sounds boring, but that’s point, it should be.

When women do invest, they do it well

Women are clearly just as qualified and educated to start investing as men are, with girls outperforming boys in their university entrance exams and females account for 58 per cent of all domestic students enrolled in Australian Universities according to Melbourne University. We’ve also seen a number of studies indicating that women outperform men when investing in the stock market.

The internet is full of studies that show when women do invest, they tend to do it better than their male counterparts. A fascinating study out of the UK’s Warwick Business School found that women’s annual return was 1.80% better than the average man’s return market return. The biggest difference? Women traded less, were less attracted to highly speculative shares and better at staying calm and not reacting to short term news events.

Wealth goals v savings

The figures from our study suggest there is a huge proportion of women who are deeply concerned about their capacity to improve their future financial security.

We believe the role that investing can play in overcoming some of these barriers should not be under-estimated. The power of compound returns is heralded in finance circles but not well understood outside of them.

An investment of $2,500 and the same amount invested every year for 20 years at an investment return rate of 8 per cent per year would grow to over $126,000. [CB1]

If you left that money in a savings account for the same period at an interest rate of 2 per cent per year you would have only saved $64,000. That’s half the final balance.

While investing holds no guarantees, a divide in who is and is not investing may be further contributing to a wealth and retirement savings gap between men and women. For women, investing could be a key to closing the wealth gap.

GETTING STARTED ...

If you're looking to get started on investing but don't know where to begin, the team from Stockspot share the below tips to help:

Before you start investing...

Pay off credit cards and personal loan debts. The amount you pay in interest is higher than you what you can expect to make investing.

Have 3 or more months of living expenses saved up. Sometimes you need money fast and you don't want to dip into your investments.

Got money goals?

It's time to get clear on your financial goals. Are you saving for a house deposit, further education or just good old general wealth accumulation? Knowing your goals will help define what type of investments are best for you and for how long you should invest for.

Plan to invest for 3+ years

Investing is a long-term pursuit. Plan to invest for a minimum of 3 years. Ideally, you want to invest for at least 7 years to make the most of compound returns.

How much do I need to get started?

You only need a couple of thousand dollars to start investing. If you're nervous, start with a small amount. You can invest more gradually over time as you become more confident.

What should I invest in?

Invest into a broad mix of different investments like Australian shares, global shares and government bonds. Investing in exchange traded funds (ETFs) is the easiest way to do this.

What is an ETF?

ETFs are a popular type of investment listed on the ASX, they're low cost and lower risk than buying shares in individual companies.

ETFs act like a basket of shares. They invest small amounts in all the companies listed on different index for example ASX's top 300 companies or the US share market. It means your money is spread across hundreds of different companies at a fraction of the cost of trying to do this yourself.

What about the risk?

Share markets will go up and down, which can be scary if you're new to investing. However the longer you stay invested, the chance of losing money dramatically falls. This is why we recommend you invest for 3+ years. There are proven ways to reduce risk when you invest. These are: 1) spread your money across lots of investments (aka diversification). ETFs are the best and cheapest way to diversify. 2) Invest for the long-term and the occasional dip will have less impact on your investments.

How do I get started?

Technology and automation mean online investment companies like Stockspot can keep fees very low and do the investing for you.

Getting personal investment advice is important to make sure you have the right investments for your goals and stage of life. This used to be expensive, but many of the new online investment companies (aka 'robo-advisers') provide personal investment advice and recommend portfolios that suit your goals.

They use technology to automate many of the manual tasks a traditional investment adviser does. And the personal advice means the investments are held in your name, not a pooled fund with other people's money.

How much should I pay?

Keep your fees low. Paying 1% in fees for your investments may not sound like a lot, but over the years it really adds up. The less you pay in fees each year, the more your investments can grow meaning more money for you.

This advice is general and does not take into account your own personal financial needs and objectives. You should consider if this advice is suitable for you and your personal circumstances

ABOUT THIS REPORT

The research discussed in this report was undertaken by the team at Women's Agenda, via an online survey running in April 2019. The research received support from Australia's first and largest online investment adviser, Stockspot, with this final report also published in partnership with Stockspot.

Women's Agenda received 827 responses to the survey involving a mix of multiple choice and long-answer questions. The data was collated at the end of May 2019.

Any advice given in this report is intended as general advice and not personal advice.