

Women and Wealth

Women are now the primary breadwinners in over 31 per cent of Canadian households.¹ They continue to achieve greater success in the corporate world and are leaders in many professions. This article discusses the realities faced by women as they balance their professional and personal responsibilities, and how working with a financial professional who understands their unique needs, can help them reach their financial goals.

While not yet realizing gender equality, women hold a significant percentage (37%) of management roles, and the majority (57%) of professional positions in Canada.² They are successful in many professions, comprising 55% of financial auditors and accountants³ nationwide. Women own, or have share ownership, in almost half of all small businesses in Canada, and also control about \$1.1 trillion in personal wealth.⁴

However, one area that has not seen comparable growth is the top leadership position in the country's largest companies. As of 2014, women held only 12% of all board seats of publicly traded Canadian companies on the *Financial Post 500* list.⁵ In time, more of these leadership roles will likely be filled by women as they move up through lower management ranks, where they are already well represented.

Despite the professional and financial successes that professional and executive women have earned in recent generations, they continue to face personal issues and unresolved challenges.

The caregiver burden

Caregiving is an emotional burden that impacts many women. According to Statistics Canada, 54% of caregivers are women, and women are more likely than men to spend 20 or more hours per week on caregiving tasks (17% versus 11%). Whether it is for elderly parents who have health concerns or have not saved enough for their own retirement, less well-off siblings, or their own adult children who have yet to move out and establish themselves, there is seemingly no shortage of family members to support.

The emotional burden created by the challenge of trying to balance personal needs and the needs of loved ones can lead to health consequences that include stress, decline in happiness and less self-acceptance.⁶ Time spent on caregiving

also reduces the amount of time available for other activities that are important to those providing the care.

In addition, caregiving responsibilities represent a much greater source of risk to income security for women than it does for men. Spending more hours caregiving is associated with a higher likelihood of experiencing care-related employment consequences, including missing work days, reducing work hours, and exiting the labour force. Additionally, those incurring care-related out-of-pocket expenses were 5.6 times more likely to experience other employment and social consequences, such as turning down a job offer or promotion, postponing enrolment in an educational or training program, reducing social activities, cancelling holiday plans, or moving in with the care receiver.⁷

Rising health care costs

For professional and executive women, paying for health care for their parents, their children and themselves is a financial issue with real emotional costs. In general, women are relationship-oriented and will focus on others regardless of their disposable incomes. Because women typically assume more of the caregiving responsibility than men, the stress that women feel, as a result, also has a greater negative effect on their own physical and mental health.⁸ With health care costs increasing, affluent women may worry that they are risking not only their own health, but their own financial security by putting the needs of others ahead of their own requirements.

Health care costs in Canada have increased at a rate far exceeding the increases for other necessary expenditures. And, even with provincial health care coverage, many significant health care costs are still paid out of pocket, or covered by private health insurance. Currently the Canadian Institute for Health Information estimates that older seniors spend over \$20,000 on health care annually.⁹

Losing financial independence

Of all of the money-based fears, the thought of running out of money in old age is the greatest concern of many affluent and successful women. This is compounded by the worry of not having anyone to turn to for support. Most of these worries are due to insecurity about long-term financial prospects, having spent so much time and energy on day-to-day concerns. Even financially astute women who manage their family's financial affairs may worry about not having enough money one day.

The combination of professional responsibilities and personal obligations leaves many successful women with not enough time to concentrate on protecting their own and their children's financial futures. To save time, they spend money on products and services that help them to manage their busy lives. Many also feel responsible for their parents' finances and health care costs.

Overcoming concerns

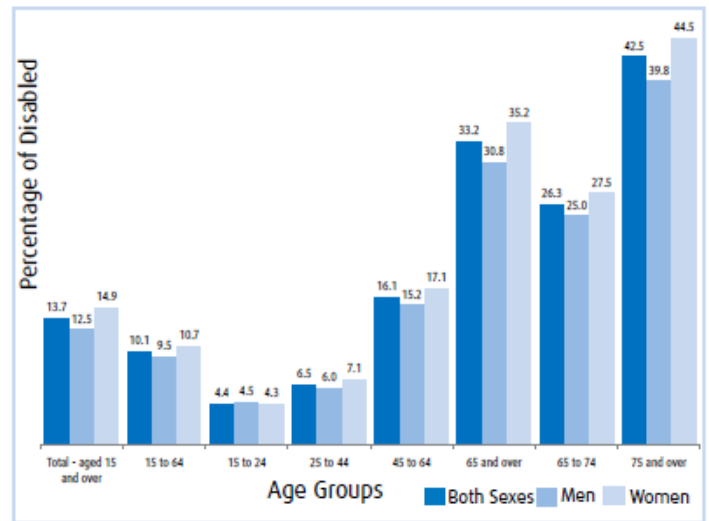
The challenges of taking care of loved ones, the rising costs of health care and the worry of becoming financially dependent on others may be overcome. These issues can be addressed by working with a trusted financial professional to develop a plan which expresses short-term and long-term wealth management needs, and how one's current wealth and future earnings will be used to meet each of these goals.

Finding a financial professional who is a good match is important. Female-friendly advisors will ask questions about more than the numbers. They want to know about a client's values, dreams and concerns, and view the financial planning process holistically. While some women may find discussing their thoughts and feelings about finances uncomfortable at first, a skilled financial professional will create a safe environment and, in time, this process will become more comfortable.

Managing risk with insurance

Living benefits are an important financial planning component that can help with concerns over the rising cost of health care, or fears of running out of money one day. When unexpected health issues arise, having appropriate benefits in place is an important line of defence that provides resources to help maintain what has been achieved.

The following chart shows how women have a higher prevalence of disability in almost all age groups.



Prevalence of disability by sex and age group

Source: Statistics Canada, Canadian Survey on Disability, 2012

Disability or income replacement insurance can be purchased on an individual basis and used to replace unearned income by providing a monthly benefit.

Another form of insurance to consider is critical illness insurance. While the thought of a critical illness is unsettling, receiving a lump sum coverage benefit shortly after diagnosis will help deal with unexpected costs, or help meet current cash flow needs. Many critical illness policies can even provide for a return of premiums if no benefits are paid under the policy. There are also policies available that cover specific illnesses, such as particular female cancers, that provide unique benefits that are related to the treatment requirements of those illnesses.

Long-term care insurance is another option that can be used to pay for the costs of continuing care well into the retirement years.

Health insurance can help cover the cost of care should one have an accident or other medical concerns not covered by provincial health care programs.

Saving for important goals

Professionals typically spend a number of years studying and earning accreditation and licensing, reducing the number of years they can subsequently practice. This results in less time for the compounding of investments and makes reaching their goals more challenging. A similar challenge is faced by women who take time out of the workforce to have or raise children. As a result, one of the most important components of a wealth management plan is the savings strategy, which should

put women's needs first to help them achieve their goals. Goals could include maintaining their standard of living for a comfortable retirement, and providing the means for them to take care of their dependents.

Taking advantage of tax-beneficial savings options such as a Registered Retirement Savings Plan ("RRSP") is a great way to help one reach their goals faster. Executives and business owners may be at an advantage when it comes to planning for retirement if they can invest in a company-sponsored defined benefit or defined contribution pension plan. The benefit of these plans is that contributions are made directly through payroll deductions, reducing the amount of their income that is subject to income tax. An employer may even provide a matching contribution based on the amount contributed annually. Self-employed professionals may consider an Individual Pensions Plan ("IPP") to save for retirement. With an IPP, they can make relatively large contributions for retirement, often above what is possible with an RRSP. The Tax-Free Savings Account ("TFSA") is another tax-advantaged way to save for retirement or other personal goals.

Planning for a lasting legacy

Comprehensive legacy planning incorporates passing on financial assets as well as family values. Enhanced estate planning involves having discussions with loved ones that help to define how one will be remembered.

Teaching children from an early age about financial management and responsibility will have a long-term positive impact, and may help reduce the number of money-related challenges they experience. When the time is right, consider introducing children to one's financial professional.

From a financial perspective, taxes that result from deemed dispositions can be a significant burden for loved ones, so planning should be done to reduce both the tax costs and the complexity of managing one's estate.

Owning a professional practice or business will also make estate planning more complex. Succession planning is very important to ensure that patients or clients are well cared for and that one's heirs receive the value that has been built into the business over their working years.

Conclusion

Women face complex wealth planning challenges due to the various demands on their time and financial resources. A comprehensive wealth plan can help women provide for their family and loved ones, and also help them achieve financial security for themselves.



Contact your BMO financial professional to discuss your wealth management needs.

Footnotes:

¹ Canada's Female Breadwinners Are Growing in Number, but not by Age Group. Milligan, K. Canadian Business, June 10, 2013. <http://www.canadianbusiness.com/economy/canadas-female-breadwinners/>

² Table 12 - Distribution of Employment by Occupations, 1987, 1999 and 2009. Statistics Canada, May 13, 2013. <http://www.statcan.gc.ca/pub/89-503-x/2010001/article/11387/tbl/tbl012-eng.htm>

³ Table 2 [Table 3] - The 20 Most Common Occupations Among Women [Men] aged 15 Years and over and the Share of Women [Men] in the Total Workforce, May 2011. Statistics Canada, June 13, 2013. <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-012-x/2011002/tbl/tbl02-eng.cfm> and <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-012-x/2011002/tbl/tbl03-eng.cfm>

⁴ Women and Wealth: The Investment Sector's New - and Crucial - Frontier. Nelson, J. The Globe and Mail, August 9, 2014. <http://www.theglobeandmail.com/report-on-business/women-and-wealth-the-investmentsectors-new-and-crucial-frontier/article19979192/?page=all>

⁵ Time for True Diversity in Corporate Boardrooms. Dhir, A. Toronto Star, October 20, 2014. http://www.thestar.com/opinion/commentary/2014/10/20/time_for_true_diversity_in_corporate_boardrooms.html

⁶ Women and Caregiving: Facts and Figures. Family Caregiver Alliance, December 31, 2003.

⁷ Fast, J., Keating, N., Lero, D., Eales, J., Duncan, K. (December 2013). The economic costs of care to family/friend caregivers: A synthesis of findings. Fast and Keating - Edmonton AB: University of Alberta; Lero - Guelph ON: University of Guelph; Duncan - Winnipeg MB: University of Manitoba. https://rapp.ualberta.ca/Portals/116/Documents/Reports/Economic%20Costs%20to%20Caregivers%20final%20synthesis%20report_2013Oct29.pdf

⁸ Stress in America: Our Health at Risk. American Psychological Association, January 11, 2012. <https://www.apa.org/news/press/releases/stress/2011/final-2011.pdf>

⁹ By the Numbers: How Much Did Canada Spend on Health Care in 2013? Chai, C. Global News, October 29, 2013. <http://globalnews.ca/news/932105/by-the-numbers-how-much-did-canada-spend-on-health-care-in-2013/>



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