

# Winning the confidence game

## Three ways women can boost their financial confidence.



While women have made significant progress when it comes to their finances, they tend to be less self-assured about managing and investing money.

A 2021 academic paper from the Global Financial Literacy Excellence Center (GFLEC) found that about one-third of women's lower financial literacy can be explained by a lack of financial confidence.<sup>1</sup> Both financial literacy and confidence are important components for building wealth.

"We have a tendency to downplay our strengths and we sometimes don't recognize that we really know more than we think," says Erica Williams, private wealth advisor at BMO Private Bank.

Why is that? Historically, women haven't had as much practice at managing money as many men, but that should no longer be the case. After all, as of 2020, American women control about \$11 trillion in assets<sup>2</sup> and make between 70% and 80% of family buying decisions.<sup>3</sup> It is time for their financial confidence to catch up.

If your financial confidence needs a boost, here are three ways to become more self-assured.

### ① Build on what you know

The reality is that both sexes have a lot to learn when it comes to finances. However, women perform worse on a test of basic financial knowledge, according to the 2021 GFLEC academic paper mentioned earlier.<sup>4</sup> In that study, women tended to rely on the "I don't know" option more often than men. Yet when that option was taken away, women were more likely to answer correctly. That means that women know a lot more than they believe. Brushing up on your financial know-how can boost your confidence.

You don't have to start from scratch. Remember: you already know a lot. Build on that.

### Consider these steps:

- **Read more.** Commit to reading one personal finance article blog a week to increase your knowledge base—and ultimately your confidence. If you're in a book group, put financial books into the mix.
- **Ask curious questions.** Everyone knows someone who's a financial whiz. Invite this person to meet for coffee and ask her to teach you how to read an investment prospectus, create a spending plan, or negotiate a pay increase. But make sure that person really knows their stuff. "Ask questions to those who do the work and then compare notes with what you have read from a verified source," suggests Williams.
- **Appreciate what you already know.** You don't need to have an MBA to speak confidently about your own money. Give yourself credit if you are good at balancing a checkbook, paying your bills on time, or regularly meeting with your advisors.

### ② Be a team player

"Two minds are better than one when dealing with most situations. It may be OK for one partner to go grocery shopping while the other takes out the garbage, but don't rely on a strict division of labor when making financial decisions as a couple," Williams cautions. When it comes to money, it's best to work as a team.

Acting as a team contributes to sounder financial decision-making and protects you in case there is a sudden change in your family situation such as an illness, death, or divorce. It is easier to take over the money management if you have been part of the process all along.

## Join forces.

- **Break money silence with your partner.** Money talk doesn't have to be stressful. It can be fun and, when done regularly, increases intimacy. Yet many people avoid these conversations. "Pride can keep you from discussing what your financial status really is and how to fix it, maintain it or grow it," Williams says. If you haven't discussed finances before, start your first conversation by focusing on financial successes. Ask your partner to describe one financial move they're proud of. Tell them about one of your own. Learn from each other's strengths, set the stage for a good financial relationship, and boost your financial confidence.
- **Hold regular money meetings.** Spend at least 30 minutes a month talking about finances with your partner. When developing the agenda, make sure you and your partner co-create the discussion points. You may want to review where the family spent money last month, and your partner may want to talk about saving for a vacation. If so, spend 15 minutes on each item.
- **Attend advisory meetings together.** Don't make the mistake of having just one partner attend wealth management meetings. You have a valuable perspective on how you want to save, spend, gift, and pass on wealth. Look for an advisor who takes your participation seriously and encourages couples to meet jointly. Then, use this time together to plan for a secure financial future. "A financial advisor can help build the bridge for financial, emotional and family intelligence," Williams explains. "We ask lots of questions to get to the real heart of where the financial issue is."

## ③ Practice financial empowerment at work

Women earn more than half of all college and professional degrees,<sup>5</sup> but as of 2021 still, only earn 82 cents for every dollar a man makes.<sup>6</sup> What's more, during the COVID-19 pandemic, women left the labor force in droves to care for children due to school closures. While outside forces like gender stereotypes and a global pandemic can impact the pay gap, there are some factors that you can control, such as negotiating your salary.

"We need to demand equal pay!" Williams says. "It's usually men in the hiring or budget-making position, and they may see women as not as capable—especially in corporate America."

True, salary negotiations can be scary and take you out of your comfort zone. And you may not always get what you ask for. But empowering yourself with the right strategies ahead of a salary negotiation improves your chances of success.

## Arm yourself with the most effective negotiating tactics.

- **Focus on the bottom line.** You might have three kids, a mortgage, and student loans to contend with, but your boss wants to know about the value you bring to the organization. Do your homework, and make the business case for why you deserve a raise. "Be able to articulate what value you add to your company," Williams says. "It may be creative thinking, bottom-line revenue generation, organization, or social capital."
- **Be persistent.** Negotiating money is seldom a one-time conversation. Prepare for pushback, and don't get discouraged if these dialogues don't go your way. Learn from each conversation, and adjust your approach as needed. As with any money talk, practice boosts confidence and mastery.
- **Get support.** Enlist the help of a career counselor, business coach, or trusted advisor. Role-play different scenarios so you can anticipate how to overcome objections. Preparation is often the key to getting to yes.

Commit today to learning more about your finances, to talking more openly and honestly with your partner, and to working with advisors who believe financial empowerment is an equal opportunity.

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Financial confidence isn't something you're born with. You nurture it over time.

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<sup>1</sup> Bucher-Koenen, Tabea, Alessie, Rob, Lusardi, Annamaria, and van Rooij, Maarten. "Fearless Woman: Financial Literacy and Stock Market Participation." *Global Financial Literacy Excellence Center*, March 2021.

<sup>2</sup> "Women control only a third of household financial assets in the United States—for now." *McKinsey & Company*, August 10, 2020.

<sup>3</sup> Nelson, Amy. "Women Drive Majority of Consumer Purchasing and It's Time to Meet Their Needs." *Inc.*, July 17, 2019.

<sup>4</sup> Bucher-Koenen, Tabea, Alessie, Rob, Lusardi, Annamaria, and van Rooij, Maarten. "Fearless Woman: Financial Literacy and Stock Market Participation." *Global Financial Literacy Excellence Center*, March 2021.

<sup>5</sup> "Digest of Education Statistics Table 310. Degrees conferred by degree-granting institutions, by level of degree and sex of student: Selected years, 1869-70 through 2021-22." *National Center for Education Statistics*.

<sup>6</sup> "The State of the Gender Pay Gap in 2021." *Payscale*.

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