



# Women & Behavioural Finance:


Conscientiousness  
and Financial  
Confidence

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**Fellow Women:**  
If you doubt yourself,  
stop! – You probably  
have a strong financial  
planning personality.

According to a recent TD Wealth study<sup>1</sup>, most women are highly Conscientious (as defined by the Five Factor Model of Personality<sup>2</sup>) which can be an advantage when it comes to financial planning and investing. This personality trait is also linked to success<sup>3,4,5</sup>!



## Conscientiousness may Predict Success

Conscientiousness is one of the dimensions of personality tested in the Five Factor Model of Personality<sup>2</sup> which also includes Agreeableness, Reactiveness, Openness to Experience and Extraversion.

Research suggests, however, that Conscientiousness is the only personality dimension that predicts success<sup>3,4,5</sup>. In a variety of studies and publications, people who test high in Conscientiousness have higher incomes and job satisfaction<sup>3</sup>. It can also be an important factor for finding and retaining employment<sup>4</sup>. Additionally, highly Conscientious people commit fewer crimes, have fewer strokes, lower blood pressure and a lower incidence of Alzheimer's disease<sup>5</sup>.

How can you tell if you're Conscientious? Conscientious people tend to be very organized, self-disciplined, and plan ahead<sup>5</sup>. Most importantly they may be better at setting and working towards their goals and may be persistent amid setbacks<sup>5</sup>. So for women this can mean that we have what it takes in seeking to set a financial goal, sticking to it and achieving it.



## Conscientiousness & Financial Confidence

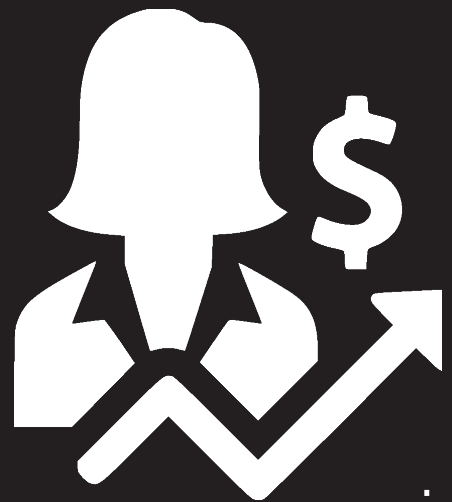
TD Wealth's 2018 Behavioural Finance Report<sup>1</sup> shows that on average, Canadian women are significantly more Conscientious than men. Despite this distinctive advantage, there are also research studies that show that women lack financial confidence. For instance, only 31% of women consider themselves to be financially knowledgeable<sup>6</sup>. I used to find myself in this paradox as well. When I first joined TD nine years ago from the consumer packaged goods industry, I was asked about my thoughts on the matter. The answer was easy, "I'm smart, I have a successful career, but I just don't prioritize learning more about finances. I feel embarrassed to ask my advisor for help because I should know this already." I anticipate many women across Canada feel the same.

The fact of the matter is this: 90% of women will be required to play the role of sole financial decision maker at some point in their lives, but many lack the confidence to fully embrace the role<sup>7</sup>. Fortunately, the news isn't all glum. 92% of women want to learn more about financial planning and 83% want to get more involved in their finances<sup>8</sup>.

So if all of this research says that women can be hardwired to be successful at managing our wealth, then why are we less likely to have the financial confidence to do so?

It may have something to do with the fact that in our TD Wealth study<sup>8</sup> women tended to score higher than men on the Agreeableness dimension of the Five Factor Model. This may explain why that on average women value social harmony more so than asking questions for greater understanding or clarity<sup>2</sup>. This desire to not 'rock the boat' may lead to making decisions without feeling totally comfortable with the potential outcomes. I know while sitting in my advisors office in the past, I nodded my head in agreement just so I didn't feel foolish or ask what I thought were 'silly' questions.

Equally important is the fact that according to our research<sup>1</sup> many women fall behind in financial confidence and actual financial literacy. Only 10% of women in our study<sup>1</sup> stated that they were extremely knowledgeable about their finances, trailing men by 44%. Additionally and not surprisingly, as the Conscientiousness scores of women increased, so did confidence in their overall financial knowledge.



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## Single women may behave differently

Another school of thought comes from Adrian Ward and John Lynch<sup>9</sup>, who argue that many of these apparent "deficits" are caused by the distribution of responsibility for knowledge and decision making between relationship partners. In long term relationships particularly, high levels of financial responsibility are associated with increases in financial literacy whereas low levels of financial responsibility are not. They surmise that people typically develop expertise just when they "need to know" it<sup>9</sup>. In addition, our study<sup>1</sup> demonstrated that women who were single usually behaved differently than women who were married with children. For instance, a woman married with kids is 28% less financially confident than a single woman without kids<sup>1</sup>. What's more, men married with kids have more than double the financial confidence than their female counterparts<sup>1</sup>. While there are many contributing factors, a woman's time and resources can often become strained when becoming a parent and therefore decisions like financial planning may be taken up by their partner. Unknowingly, women may be hampering the development of their financial expertise due to competing priorities.

## Don't feel embarrassed - consider asking an advisor questions

So, to my fellow Canadian women...We've got some big financial decisions to make and the question is: What can we do about it? I for one plan to make them with greater ability and confidence and I am hoping you will do the same. For me, the minute I started asking questions was when I started learning more about my finances, and when I started learning more, I became more confident. It just kept getting better from there. I'm not a naturally Conscientious person so putting structure in place around me was vital. Initially I didn't know the difference between fixed income and equity and was too nervous to ask the question of my advisor. That's changed because I pushed myself past the fear of appearing embarrassed. I'm not and won't ever be an investment manager but that's why I've enlisted the help of an advisor who I trust and provides me great value by understanding me and my goals. I'm now feeling more confident about my retirement goals and feel good about where I'm headed. It all started with not being worried about asking that first question.



1

### Start talking about money

Knowledge is power and it's time to disrupt the notion that talking about money and investing is unladylike. By talking about money, together we can compare experiences and learn from successes and failures of other women. Consider joining a group or set up a financial book club to start the conversation about money.

2

### Consider speaking to an advisor.

When people have a written Financial Plan with the help of a professional advisor that includes goals and action steps, they are 52% more likely to feel extremely confident in their financial position and readiness for retirement<sup>5</sup>. If you are looking for an advisor, consider interviewing a few and pick the right one for YOU. Just like any good relationship you need to select the advisor that you can easily talk to and who aligns with your vision and values.

3

### Keep yourself in the "need to know" space.

Resist the urge to completely delegate financial planning and investing responsibility to a spouse or partner. When you stay in the know, you help ensure you remain connected to the decision-making process and don't unknowingly limit yourself from being financially confident. Consider going to meetings with your advisor whenever possible.

4

### If you're married or in a relationship, be part of the planning process. You are probably good at it.

This is particularly true if your partner is a man because you'll likely be the better planner based on our research<sup>5</sup>. Your partner may have other strong personality dimensions that complement yours. For instance, in the TD Wealth study we found that on average Women were more 10% more Conscientious and 21% more Reactive than Men. However, Men were 31% less Agreeable than Women<sup>5</sup>. A TD Wealth advisor can help combine the best of both of your personality traits to help build the right financial plan and investment strategy that fits you and your family.

5

### Ask the first question.

This is your money we're talking about – you have worked hard to earn it. Ask the simplest question first and use your advisor's expertise to help you become more confident about your finances. Once you've asked the first question and get over the hump, the rest will come easily. And that first question? It's probably not as ridiculous as you think.

# 5 Tips to help you own your financial future







## References

<sup>1</sup>TD Wealth; Behavioural Finance Report, 2018

<sup>2</sup> Tupes, E.C., & Christal, R.E., Recurrent Personality Factors Based on Trait Ratings. Technical Report ASD-TR-61-97, Lackland Air Force Base, TX: Personnel Laboratory, Air Force Systems Command, 1961

<sup>3</sup>Sutin AR, Costa PT, Miech R, Eaton WW. Personality and Career Success: Concurrent and Longitudinal Relations. *European journal of personality*. 2009

<sup>4</sup>Engelhardt, Carina, (2017). Unemployment and personality: Are conscientiousness and agreeableness related to employability?, *Hannover Economic Papers (HEP)*, Leibniz Universität Hannover, Wirtschaftswissenschaftliche Fakultät

<sup>5</sup>Paul Tough; *How Children Succeed: Grit, Curiosity, and the Hidden Power of Character*, 2012

<sup>6</sup>StatsCan; *Gender differences in the financial knowledge of Canadians*, 2016

<sup>7</sup>Investor Economics; *Household Balance Sheet Report*, 2017

<sup>8</sup>Fidelity Investments; *Money Fit Women Study*, 2015 (with permission)

<sup>9</sup>Adrian F Ward, John G Lynch; *On a Need-to-Know Basis: How the Distribution of Responsibility Between Couples Shapes Financial Literacy and Financial Outcomes*, *Journal of Consumer Research*, 2018

