Maximize

YOUR MONEY

We asked Canadian women to divulge their financial secrets, and did they ever, dishing on their credit scores, debt, spending habits, investments and the state of their retirement savings. The biggest takeaway? We can definitely do better when it comes to financial literacy. So, we found three real women who are doing it right to share the secrets to their success.

BY TAMAR SATOV

If you don't consider yourself financially savvy, welcome to the club. A whopping two-thirds of Canadians rate their financial knowledge as poor, and a huge majority are still missing the mark when it comes to making good money decisions: We carry a balance on our credit cards, skip payments, spend more than we earn and neglect to follow a budget.

Here's where things get even more disconcerting: A Statistics Canada report released last year (based on the Canadian Financial Capability Survey conducted in 2014) found the situation is worse for Canadian women, noting we lag behind men when it comes to our financial literacy scores and confidence in our money skills. About 31 percent of women surveyed (compared with 43 percent of men) viewed themselves as financially knowledgeable, and only 15 percent of women (compared with 22 percent of men) correctly answered five key survey questions on interest, inflation and risk diversification. In other words, the vast majority of us are making decisions about saving, spending and investing with little or no understanding of how basic factors—such as inflation, interest rates and financial markets—can land us in the hole or pave our way to a comfortable retirement.

What's more, the gender differences in financial knowledge are even more pronounced among older, university-educated and higher-income Canadians—proving that women's poor money skills have nothing to do with a lack of resources. "One of my clients had $300,000 in retail-spending debt that her husband didn't know about. It ended up ruining the marriage," says Corry Staff, a certified financial planner in Coquitlam, B.C. Those with higher incomes often have greater access to credit, which can lead to disastrous consequences.

When you consider Canadian women live about 4½ years longer than men (which means we'll need to finance a longer retirement), have higher disability rates than men (we're more likely to require costly long-term care as we age) and tend to earn less than men (making 57 cents to 87 cents for every dollar men earn, depending on where we live and work), we simply can't afford to be complacent about money management. So what gives?

"Maybe women are so busy with the day-to-day running of households and paying bills that they haven't had the time and opportunity to learn about investing," says

Staff, who holds "Cocktails & Cash" seminars for women who want to learn about personal finance in a fun, relaxed way. When it comes to money, she says, "some women don't know who to talk to or even what questions to ask."

Our own survey of readers' money habits, conducted earlier this year, confirms women have a complicated relationship with all things finance. For example, 93% say managing their money and financial security is something they find important, but just 45% say they moderately like doing it. A cool 54% don't have a financial advisor—which is worrisome, considering 84% feel they have very little financial knowledge to manage their money. And while 25% say money is a major stressor in their life, 72% agree that it can't buy happiness.

The good news is, whether you're starting your career or approaching retirement, it's not too late to get your financial house in order. Not sure where to begin? Check out our primer on how you can start taking charge of your money in five crucial areas: saving, credit, investing, debt and retirement.

SAVING

This probably won't come as a shock, but Canadians aren't doing a very good job of saving. More than 70 percent aren't setting aside the recommended 10 to 20 percent of their income, and nearly half (47 percent) save nothing or only up to five percent of their take-home pay, according to data from the Canadian Payroll Association. Though eight in 10 women do have lofty savings goals, including for retirement, an emergency fund and travel, a Tangerine bank survey finds.

And then there's Anne Sheehan. The 56-year-old custodial worker at the University of Prince Edward Island in Charlottetown can retire in three years if she chooses to. "I come from a poor family—I know what it means to be cold and hungry," says Anne, one of 11 kids of a seasonal fisherman's helper. "I knew if I wanted a different dynamic [as an adult] I needed a plan and to take action."

Anne set up her first registered retirement savings plan (RRSP) in her early 20s, after hearing about it on the radio and talking to her bank teller. "I decided to make a monthly contribution of $25. It was very hard—I had to do without, stop going out with friends or buying clothes—but I knew the money was set aside for my future so I kept putting it in every month."

A few years later, the single mom bought life insurance for herself and her five-year-old son and invested in mutual funds. Each time she got a raise, she increased her contributions by $5, and whenever she picked up extra shifts or received a tax refund, she invested that money, too. When her son, now 30, was about eight, she started an education fund for him—and ended up paying his college tuition. And perhaps most impressive, in 1995, she bought her own home—a fixer-upper for $50,000—which is now paid off and worth about $170,000. "When women are told they can't do something, it becomes part of who they are. I won't let anyone tell me what I can't do," says Anne.

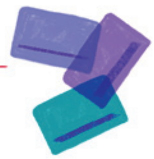
THREE THINGS YOU CAN DO NOW TO SAVE MORE

1 **BOOST YOUR EARNINGS.** Anne worked multiple jobs when she was young to make sure she could contribute to her RRSP. If that's not feasible, find other ways to bring in extra cash, such as casual weekend work, having a garage sale or renting out a spare bedroom, says Anne.

2 **AUTOMATE IT.** Set up a monthly bank transfer, even if it's only $25. Increase your contribution every three months and eventually you'll find yourself on track and contributing 20% of your income, says Staff. And stick with it, says Anne. "Don't take out that money because you want to get your hair or nails done. It's a waste—leave your money to grow [and] take comfort in knowing you will have financial freedom."

3 **CUT DOWN YOUR SPENDING.** Not sure where to trim? "Keep track of your spending for three months—there are usually a few surprises," says Staff. And if you're prone to making impulse purchases on your credit card, ditch it. "I had my problems with a credit card," says Anne. "So I cut it up, and that was it."

CREDIT



People who pay bills registered in their name or those who have borrowed money—through a credit card, loan, line of credit or mortgage—have a credit score. It's a three-digit number ranging from 300 to 900, indicating your reliability to pay your debts. "The higher your credit score, the higher the likelihood you will demonstrate good payment behaviour," says Julie Kuzmic, a Toronto-based financial literacy expert, in a press release about Equifax Canada, the consumer credit-reporting agency she works for. "Maintaining a healthy credit history will go a long way in securing a loan at a lower interest rate." In other words, you'll pay less in borrowing costs on your mortgage, car and postsecondary education.

39% SAY THEY HAVE ENOUGH SAVINGS ON HAND TO FACE AN UNEXPECTED DIFFICULTY.

25% DON'T.

64% DON'T KNOW THEIR CREDIT SCORE.

83% HAVE NO UNDERSTANDING OF HOW CREDIT WORKS.

ILLUSTRATIONS, JOSIE PORTILLO

To maintain a good credit score (725 or higher), make all your payments on time every month and don't overextend yourself by taking on too much debt. Miss even one payment and your score will drop, which could lead to higher interest charges or limited access to credit. In some cases, a low score can even affect your ability to rent housing or become employed.

If you have a habit of missing payments or maxing out your cards, resist the urge to take out a so-called credit-repair loan, experts say, as this may simply add to your debt load and can involve hidden fees. The best thing you can do to improve your credit rating is to pay off the debt you already have and be conscientious about making all your payments. In time, your credit history will showcase this improved behaviour and your score will go up.

THREE THINGS YOU CAN DO NOW TO IMPROVE YOUR CREDIT

1 **GET IT IN YOUR OWN NAME.** It's tough to build your credit if you don't have a card solely in your name. Having a companion card on your partner's account won't help you, even if you diligently pay your bills every month. "As soon as you have your first job, you should get a credit card," says Staff, "even if you use it for just one thing, like fuel, and have a maximum balance of only $500."

2 **PAY YOUR BILLS ON TIME.** Pay at least the minimum balance on your credit card before the due date and never exceed 50 percent of the available credit limit, Staff says. Maxing out your cards tells lenders you're not doing a good job managing your money. One good solution: signing up for automatic payments.

3 **ORDER A COPY OF YOUR CREDIT REPORT.** You can get a free annual copy of your credit history from reporting agencies Equifax and TransUnion by mail, fax, phone or in person. "It's helpful in spotting possible unexpected changes in your credit report over time, and it can help uncover identity theft or fraud," says Kuzmic.

45% HAVE INVESTMENTS THAT SOMEONE ELSE MANAGES.

25% WORRY ABOUT DEBT CONSTANTLY

7% SAY THEIR DEBT HAS STOPPED THEM FROM BUYING A HOME

2% SAY IT'S STOPPED THEM FROM STARTING A FAMILY

INVESTING

Investing is a pretty daunting prospect for many Canadians. This fear stems, in part, from a lack of knowledge. According to Statistics Canada, just 48 percent of women say they're informed enough to choose the investments that are suitable for their circumstances (compared with 63 percent of men). There's also an understandable aversion to risk. But there's no need to take on huge risk to get returns. "The right planner will help you make decisions without any pressure," says Staff.

It's a lesson 55-year-old Georgetown, Ont., mom Sandra Alder learned the hard way. When she and her husband, a financial adviser, divorced seven years ago, she hired a new adviser to manage her $300,000 RRSP. He assured her he would invest in a balanced-growth portfolio, but instead purchased highly volatile stocks. She lost everything. "He was kind and a good salesman. I would see losses on the statements, but he kept saying it would come back. It never did," she says.

After a lucrative job selling lab equipment, she went back to school to train for a career in human resource management, but when she couldn't find a job, she decided to study personal finance instead.

"I had lost most of my savings by this time, and I wanted to help protect others from the mistakes I had made," says Sandra, now a certified financial planner with Manulife Securities Investment Services in Oakville.

THREE THINGS YOU CAN DO NOW TO INVEST

1 **BRUSH UP ON THE BASICS.** You don't have to become a financial planner, like Sandra did, but read a book on money management and investing, register for a seminar or attend a lunch-and-learn session at work.

2 **ASSESS YOUR RISK.** Sandra suggests keeping six months' worth of fixed expenses in a low-risk investment, such as a tax-free savings account or guaranteed investment certificate. Then, speak with an adviser to help determine your risk tolerance for additional investments.

3 **FIND AN ADVISER YOU TRUST.** Meet with advisers before you hire them. Make sure they're accredited, and ask up front how they get paid: through the cost of products, a percentage of the assets they're managing, or a fee-for-service model? Some experts recommend fee-for-service to ensure you're getting objective advice, not being encouraged to buy the investments that earn the most for the adviser. And don't forget about rapport. "The minute you feel you can't ask a question, you're in front of the wrong person," says Staff.

Debt

The bad news: Canadians are taking on more debt than ever before, owing an average of $1.67 for every dollar in take-home pay. Excluding mortgage debt, the average person is nearly $22,000 in the hole, and, in one survey by accounting and business firm MNP, more than half of

GUTTER CREDITS...

respondents said they wouldn't be able to make ends meet if their monthly expenses went up by $200 or less. The situation is slightly worse for women than men, according to a 2016 Ipsos Poll for BDO: 52 percent of women (versus 45 percent of men) worry about their current level of debt and one-quarter of women (versus one-fifth of men) believe they will never be debt-free.

For Li Zhang, however, debt is simply a temporary means to an end. At 31, she not only managed to repay $15,000 in student loans within two years of graduating with a degree in international business administration from the Schulich School of Business at York University in Toronto, but she has also paid off her 650-square-foot Mississauga, Ont., condo, which she bought in 2008 for $156,000. Her secret to success? She's kept fixed costs low. "For a while, I cut my cable, stopped going out or buying anything," the program manager says. That means, aside from focusing on her mortgage, condo fees and property taxes, she prioritized her monthly car-loan payments, insurance and utility bills over spending on entertainment or shopping. Now, she channels most of her money—50 percent of her net earnings—into savings.

"It doesn't matter how much you earn, it's what your inputs are compared to your outputs," says Li. "You make life choices. You can't have everything all the time. If I'm planning a trip or ski lessons, I'll save for that. If I've done too much socializing one month, I'll cut back the next." This year's goal is to max out her RRSP contributions, and buying an apartment in Paris is next on her save-for list.

RETIREMENT

Even though women in Canada outlive men, we tend to sock away less for retirement—in part, because we earn less: an average of $35,869 annually compared with $54,411 for men. A 2015 Royal Bank of Canada poll, for example, found one-third of Canadian women (versus one-quarter of men) had not started saving for retirement, while the BlackRock survey discovered among those who have started saving, men set aside nearly double the amount that women do. The situation is particularly bad for single women in Canada aged 65 or older: about 30 percent live below the poverty line, according to a 2016 Broadbent Institute study.

So, what's a woman to do if she's approaching retirement and fears she hasn't saved enough? Or if her husband dies suddenly during retirement and leaves her to figure out how to navigate her new financial situation alone?

The first thing is to take stock of your income and spending. "No matter your situation—married, divorced, widowed or single—the concerns are all the same," says Staff. "How much money do you have coming in every month, and what are your fixed and discretionary expenses?" Once you know how much you need to live on, you can make informed decisions instead of worrying about what might be.

35% OF THOSE WHO HAVEN'T STARTED SAVING FOR RETIREMENT SAY IT'S BECAUSE THEY CAN'T AFFORD TO—DAY-TO-DAY EXPENSES TAKE UP TOO MUCH OF THEIR MONEY

BASED ON THEIR FINANCIAL SITUATION TODAY, 17% SAY THEY'LL NEED TO KEEP WORKING FOR AS LONG AS THEY CAN

THREE THINGS YOU CAN DO NOW TO GET RID OF DEBT

1 PAY OFF HIGH-INTEREST DEBT FIRST. Typically, this means credit-card debt, since many companies charge as much as 25 percent interest on unpaid balances. "If you have a decent credit score, you can transfer your balance to a card that has a low or zero percent introductory interest rate for six months and work diligently to pay it off before your rate goes up," says Sandra.

2 CONSIDER CONSOLIDATING. If the value of your home has increased substantially, you can consolidate all your higher-interest loans into your mortgage to get a single lower rate. One caveat: You must be very disciplined if you take this approach, says Sandra. "If you see it as an excuse to spend more, you'll get yourself into a bigger hole."

3 LIVE BENEATH, NOT WITHIN, YOUR MEANS. If all your income is going toward extras, you'll never pull yourself out of debt. You either must earn more or scale down, says Staff. Li agrees. "I faced a lot of pressure from relatives to buy a house," she says. "But I'd rather know that if something terrible happens, I'll be OK financially."

THREE THINGS YOU CAN DO NOW TO PREPARE FOR RETIREMENT

1 THINK ABOUT HOW, NOT ONLY WHEN, YOU WANT TO RETIRE. You'll obviously need to save more if you want to retire at 60 instead of 65, but just as important is determining what kind of life you want in retirement, says Sandra. "If you want to travel, you'll need to save more than if you want to retire to the Maritimes and spend time with your grandchildren," she says.

2 FIND OUT WHERE YOU STAND. The Canadian Retirement Income Calculator on the Government of Canada website (canada.ca/en/services/benefits/publicpensions/cpp/retirement-income-calculator.html) will show you how much you can expect to earn in retirement based on your contributions, age and planned retirement date.

3 DON'T LEAVE MONEY ON THE TABLE. If your employer offers a pension plan with matching contributions, it might make more sense to participate in that than to contribute to your RRSP. Also, mutual-fund management fees are often lower in a company pension plan because of the group discount, says Sandra.

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