



## WOMEN AND WEALTH:

# The Value of a Financial Plan

**Of the many hardships created by the pandemic, one of the more significant consequences has been the exit of women from the labour force. Canada has been pushed into a recession that has been unprecedented for its impact on women, prompting many to refer to the current situation as a “shecession.”**

At the height of the pandemic, the participation rate of women in the workforce fell to 55 percent, a level not seen since the mid-1980s. More than 3 million Canadians lost their jobs – split roughly between women and men. However, by the end of last year, many women had exited the labour force entirely. This was largely because the service sector, where women had been employed in greater proportion to men, was hardest hit by the economic shutdowns. The reduced availability of school and childcare during the shutdowns further worsened the situation, as more women took on the burden of managing family and household tasks. Most concerning, the anticipated recovery continues to be uncertain. While men have re-entered the workforce and now exceed pre-pandemic participation levels, participation rates of women have yet to bounce back. This reverses patterns seen in previous recessions, where men were more likely to be laid off

than women, and women’s participation in the labour force rebounded after these recessions.<sup>1</sup>

### **The Importance of a Financial Plan**

While the situation has been challenging for many women, there may be steps that can be taken to help manage through these difficult times. As a starting point, having a financial plan – a road map to act as a financial guide for today and well beyond retirement – has never been more important.

Regardless of income level – or gender – having this financial road map can provide guidance to help individuals better manage their financial affairs. It can provide clarity on an individual’s current situation, support the development of clear financial goals and deliver a process to achieve them, measure financial progress over time, and help to manage unforeseen situations such as a temporary loss of income,

something that many have encountered as a result of the pandemic. Can a financial plan make a difference? According to those with a comprehensive plan, 62 percent believe that it has improved their ability to save money.<sup>2</sup> Along with the support of a professional, a financial plan may also help to identify new wealth-building opportunities to improve an individual's overall financial position into the future.

### Women: Unique Challenges and Obligations

A financial plan may be even more critical because of the unique challenges faced by women. Even before the pandemic, the circumstances and obligations of many women differed from those of men:

- Women spend less time in the workforce, often due to childbearing interruptions. Women also provide a disproportionate amount of caregiving, much of it unpaid, to both children and aging parents.<sup>3</sup>
- There is a gender pay gap. On average, it is estimated that women with the same experience and socio-economic background earn approximately \$7,200 per year less than their male counterparts.<sup>4</sup>
- On average, women live longer than men: a Canadian female will live to 84 years of age, on average, whereas a male will live to around 80 years old.<sup>5</sup> Most interesting, the number of Canadians who have reached the age of 100 is at a record high, and over 80 percent of those centenarians are women.<sup>6</sup> While greater longevity can provide extended opportunities to take advantage of compounded growth, it may also give rise to longevity risk in retirement planning.
- There may be gender differences when it comes to financial knowledge or preferences for the way in which money is invested. Some women may take a more conservative approach to investing, thereby limiting the potential for their assets to grow.<sup>7</sup>

### The Good News? It May Not Be All That Bad

While the pandemic has made life more challenging for many, it may be surprising to learn that the longer-term financial impact may not be as significant as some believe. During the shutdowns, many of us became used to living a more simplified lifestyle. In fact, it is estimated that 57 percent of Canadians reduced their discretionary spending during the height of the pandemic.<sup>8</sup> Although income levels may have temporarily been reduced, certain expenses may also have been eliminated.

Depending on age, with increasing life expectancies there may be a longer time frame in which to benefit from compounded growth once contributions resume. As such, the impact of suspending retirement savings due to lost income may be lessened over time.

There may also be financial planning strategies that can be put in place to help preserve and grow wealth, including tax planning, income-splitting opportunities (for those with a spouse or common-law partner) or insurance planning considerations. As advisors, one of our roles is to provide education and guidance to support clients in making well-informed financial decisions. This includes using wealth-enhancing strategies or tactics to help achieve goals and improve wealth positions. And, as the pandemic reminds us, we also understand that sometimes we will face events beyond our control that can temporarily push us off course. By having the framework of a financial plan, we can develop contingencies to steer clients through these unexpected periods.

As we confront the realities of the post-pandemic recession, we are committed to helping our female clients navigate these unique challenges. We are here to provide support, so that our clients can continue to look forward and have confidence in achieving a secure financial future.

### Footnotes

1. <https://thoughtleadership.rbc.com/pandemic-threatens-decades-of-womens-labour-force-gains/>
2. [https://fpccanada.ca/docs/default-source/news/fpsc\\_valuестudy\\_reduced.pdf](https://fpccanada.ca/docs/default-source/news/fpsc_valuестudy_reduced.pdf)
3. <https://www150.statcan.gc.ca/n1/daily-quotidien/200108/dq200108a-eng.htm>
4. <https://canadianwomen.org/the-facts/the-gender-pay-gap/#:~:text=On%20this%20basis%2C%20women%20workers,earned%20by%20men%20in%202016.&text=This%20measurement%20results%20in%20the,earnings%20of%20full%2Dtime%20workers.>
5. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1310013401>
6. <https://nationalpost.com/news/canada-today-there-are-more-of-us-and-were-getting-older-statistics-show>
7. <https://www.investopedia.com/articles/investing/031313/women-and-investing-its-style-thing.asp>
8. <https://www.theglobeandmail.com/investing/personal-finance/retirement/article-is-the-pandemic-seeding-a-retirement-crisis-decades-from-now/>