

OCTOBER 19, 2012



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Women in business embrace risk

Women managing personal finances should take note

According to RBC, women entrepreneurs are one of the fastest growing segments of the Canadian economy, contributing in excess of \$18 billion to our economy annually. Women start four out of every five businesses and 47% of all small- and medium-sized enterprises in Canada have at least one female owner. The Business Development Bank of Canada (BDC) states that women own one-third of all Canadian businesses.

Successful women entrepreneurs are role models. Women just starting in business look to their accomplishments and financial savvy as guides towards success in their own enterprises. Women investors can also learn from these role models, as there are similarities in what needs to be done.

Managing their companies toward specific and measurable targets is a hallmark of successful women entrepreneurs. Business success or failure depends on it. Targets also motivate women investors except that their milestones are personal. Having a focus on specific events, such as major purchases and retirement, drives them toward discipline and involvement.

The RBC survey found that women investors are hands-on, with 65% saying that being able to plan for their future is a top benefit of being knowledgeable and involved in managing their investments. A recent Barclays Wealth study concurs, stating that 45% of women want greater discipline in their financial affairs including

savings, research, and following through on well-developed plans.

That approach to investing emulates the woman entrepreneur. BDC and Industry Canada studies show that entrepreneurial women prefer to exercise control in moving their enterprises toward objectives. However, in the area of risk there is some divergence between women in business and women managing personal finances.

According to a study by the Financial Industry Regulatory Authority (FINRA), women investors have low tolerance for risk. They tend to have more balanced portfolios with a greater allocation to cash and fixed income investments. They purchase stocks in companies they know and understand, mostly choosing blue-chip investments. Similarly, the Barclays Wealth survey found that only 33% of women classified themselves as risk takers and 31% had a lower propensity to take on higher risk in order to achieve greater investment returns.

Women business leaders on the other hand will embrace risk related to business or professional opportunities, according to a survey by the Simmons School of Management in Boston. When asked to reflect on how frequently they pursued a major change initiative deemed to be risky, 80% of the women reported “sometimes” or “often”. Taking such risks were often deemed

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Continued from Page 1

necessary to achieve greater compensation and career rewards.

Women investors need to apply women entrepreneurs' risk-taking attitude to their portfolios in order to reach their long-term goals. According to RBC, women are more heavily invested in GICs or term deposits and less inclined to invest in stocks, with only 10% opting for equities. That approach cannot generate sufficient growth to fund retirement.

Judges for the 2012 RBC Canadian Women Entrepreneur Awards were asked to assess candidates on criteria such as the determination to succeed, perseverance, courage to take risks, and seizing opportunities. Women investors should see these attributes as the same qualities needed for portfolio success.

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