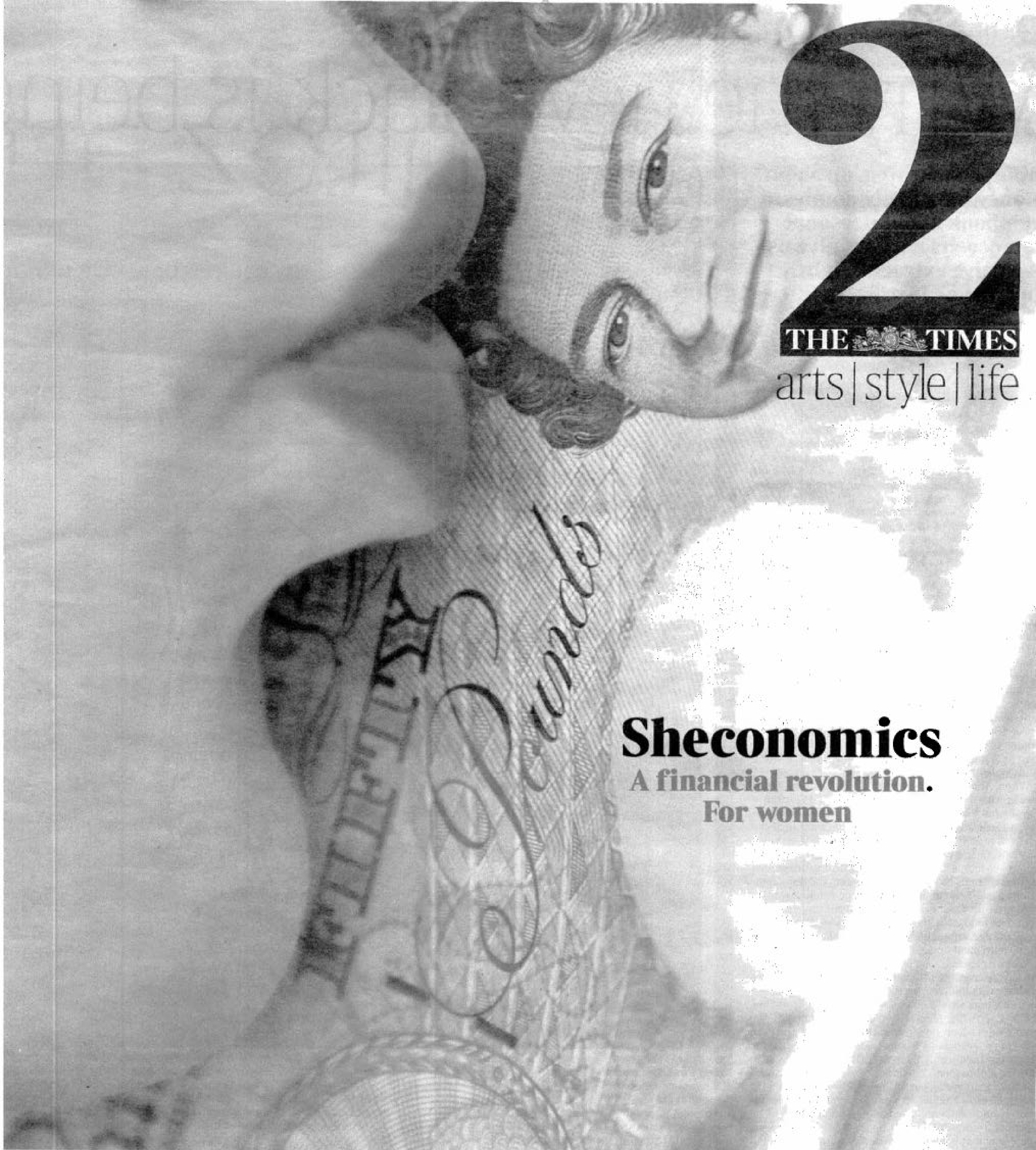

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Sheconomics

A financial revolution. For women

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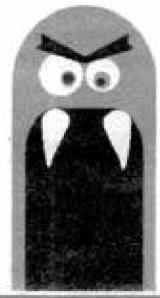

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Why the new black is being

Women must wise up about money, says Sheconomics, a new book about personal finance. Its authors give us exclusive extracts, right, and, below, justify their account to *Carol Midgley*

Pensions. Equity. Compound interest. Yawn. Yes, financial stuff is all a bit tedious but since there will be no escaping it this year we may as well start getting our heads around it. Ah, but that's just the problem, see. One half of the population apparently finds that easier to do than the other. Women frequently have a mental "off" switch when it comes to financial jargon. They tend to be more frightened of and embarrassed by money, making them less likely to ask for a pay rise. Sometimes they are positively babyish, happily letting men take charge. Their attitude to spending is much more emotionally driven than men's, which is why so many females shop to cheer themselves up. Theirs is a world of illogical priorities where they will happily spend hundreds of pounds on a dress that they will wear once, yet won't buy a small pension.

This is according to *Sheconomics*, a new book written by Karen Pine, a psychologist, and Simonne Gnessen, a financial coach. If it all sounds a bit patronising or sexist — and, frankly, parts of the book do — the authors, both women, say they know that there are many women who are brilliant with money. But they are acknowledging what research and years of experience bears out: that in general women struggle more to plan for their economic futures than men and the very language of the financial world tends to alienate them.

When Andrea Dworkin said: "Money speaks but it speaks with a male voice", she probably didn't mean it literally, but Pine, a professor of Developmental Psychology at Hertfordshire University, says that most financial advice is indeed "written by men for men; it is very dry, very boring and doesn't use a language that speaks to women". While parts of this book sound fluffy (things such as "interest rates change more often than the fashion for skinny jeans"), the underlying message is not: if women don't grow up about money and start behaving more like men then financially they could be looking forward to a bleak old age, especially since many will be divorced and facing retirement single.

Women generally earn less than men and live for longer yet, says *Sheconomics*, though they can often, say, "plan a wedding with military precision" they cannot order their own economic lives. This can sometimes stem from "low self-efficacy". The term self-efficacy was coined by the psychologist Albert Bandura and means having a positive belief in your capability to cope with whatever life throws at you. I certainly recognise some of the phemonena, such as being able to spend £50 on a meal out with friends and not batting an eyelid, but feeling guiltily extravagant if I spend the same amount on a top. Such varying value systems around money are called "mental accounting".

Pine and Gnessen began writing *Sheconomics* two years ago. Then, the recession wasn't even on the horizon but they were already exasperated by the way in which financial advice is so one-dimensional, focusing purely on the practical and taking no account of the behavioural difficulties and emotional obstacles that human beings have around money — problems that seem to affect women more than men. The psychological aspect of spending is a hugely neglected area, they say. Now with the credit crunch biting harder, the book mayt prove to be one of the bestsellers of the year.

"Research shows that when women shop, it is not necessarily related to how much money they have to spend, but what is going on in their minds," says Pine. "They shop to cheer themselves up, when their boyfriends have dumped them, when they are not getting on with their husbands, when they've had a bad day. The thinking is 'I work damned hard, I deserve a reward'." And Gnessen says that

MONEY MATTERS Karen Pine (foreground) and Simonne Gnessen, the authors of Sheconomics, say that they spoke to many high-earning women who admitted to being financial disasters

these emotional triggers are exploited to sell unsuitable products that waste their money. "A lot of financial advice plays on the emotions," she says. "The selling of critical illness policies and life insurance is often on the basis that you have to do this, otherwise you are not looking after your loved ones properly. And women are more susceptible to this."

She has met many single, childless women, for instance, who were sold life insurance policies by slick salesmen. "If you have a mortgage they might play on 'well, if you die you don't want to leave the debt to your parents'," says Gnessen, "when actually your debt dies with you. It is playing on fear. It's not that women are stupid, but they are more likely to be susceptible."

Indeed, Gnessen used to be a traditional financial adviser but seven years ago she switched to being a financial coach because she felt that her old job ignored some of the key issues around people's money difficulties. "It soon became obvious to me that most women's financial problems were either the result of or complicated by their underlying attitude to money, alongside a variety of personal issues or self-limiting beliefs," she says.

It is annoying when the phrase "retail therapy" is used by TV and women's magazines in an upbeat, even sisterly way as though it is a cosy force for good without so much as a nod to the misery and bad credit ratings that astronomical credit card bills can bring. But *Sheconomics* is not merely about credit card abusers. It is about the reluctance that even high-achieving women feel about finance.

Pine and Gnessen admit that they were worried about the book seeming sexist. But Pine says: "We have met a lot of highly-paid professional women who admit 'I am a financial disaster'. Yet in every other area of their life they are sorted. They might be running multi-million pound companies, or managing huge budgets on behalf of their companies, but when it comes to their own financial situation it all goes to pot. There was even a financial controller who couldn't manage her own finances."

Indeed, there is a sense that it isn't sexy or fun or feminine to be sharp about money. Some women readily infantilise themselves around household bills, letting male partners take charge. The image of a Carrie ▶

in the black

COVER: GABY ROUSUCK / ALAMY; BELOW: RICHARD CANNON

Change your mind, change your fortunes

1. Take emotional control Be aware of how much your emotions affect your behaviour with money.

2. Go beyond beliefs Know that your financial beliefs can become a reality.

3. Think rationally Make sure that all your spending decisions are made for the right reasons

4. Have goals Make your money fit your life plan.

5. Look debt in the face Face up to what you owe and decide how to pay it back.

6. Share financial intimacies Talk honestly and openly about money.

7. Know tomorrow comes Take action now for a secure future.

Give yourself a brighter future

1. Save automatically
Divert an amount directly into a savings account each month. Make this a priority even if it's just £50. Start with something such as a cash ISA. Once you've built up enough of an emergency cushion, start diverting money every month into a pension or investment plan.

2. Join a pension scheme
If you get the chance to join a company pension scheme, jump at it. Turning it down is like refusing free money because most companies will match or better your contributions. If you don't have that option you will need to make your own arrangements quickly — every year that you put it off costs you dear.

3. Start paying attention to money
Learn just a little bit today. Talk about it. Sign up to newsletters. Read the money pages in the weekend newspapers. Hire a coach, get a mentor or teach yourself.

4. Build your net worth
Your net worth is the difference between what you owe and what you own. Look at ways to shrink your debt and boost your assets. Check your net worth year on year with the aim of increasing it annually.

5. Make money work hard for you
Wise up to the best returns on savings or investments. A 1 per cent difference in interest rates can add up to a huge sum with compounding (explained overleaf).

Habits to avoid like the plague

1. Remortgaging
to pay debts can feel like a good idea because the payments are affordable and spread so far into the future. But it's very expensive in the long run, and you are devaluing your biggest asset.

2. An interest-only mortgage
may get your foot on the property ladder, but if you do it without a long-term investment plan running alongside to repay the balance, it's bad debt.

3. Making only the minimum repayments
on credit and store cards means you pay back almost nothing. It can take 40 years to pay off a card this way. If you can't clear the balance, just pay off £10 a month extra to make a huge difference.

4. Missing the payment date on credit or store cards
You are fined, and get a black mark on your credit rating.

5. Using a debt consolidation company
Don't be seduced by those TV ads. How do you think they afford peak-time ad slots?

6. Accepting a store card
Unless you can pay off the whole amount, say no. The interest is often hideous. Take the 10 per cent discount, then cut up the card straight away.

7. Using your credit card to withdraw cash Or even writing a credit-card cheque. Interest starts as soon as you make the withdrawal. Then there's a fee of up to 3 per cent.

◀ Bradshaw-type fashionista not meeting the rent but—ooh!—just not being able to resist another pair of Manolos might be cute on TV but there's nothing attractive about appearing on credit blacklists and not being able to get a mortgage. The authors acknowledge that this modern creature, the female financial airhead, is far removed from that of the household matriarch of the first half of the 20th century, who masterfully managed household budgets and made every penny count. The spanner in the works, they say, has been the availability of instant credit and the fistfuls of store credit cards that many women carry.

"Instant credit has completely changed our relationship with money," says Gnessen. "It used to be that when you got married you had grandma's old sofa but now you go to DFs for a new one and don't pay anything for three years.

Money is now invisible. When we used to keep the money we had in a pot, the system worked beautifully, but now it is much easier to spend money you can't see." Pine adds: "You detach. You get the buzz but you don't feel the pain." One woman was divorced and in a poor financial state but had remortgaged to pay for her half of her daughter's wedding. She didn't want her ex-husband to outdo her. "There are people who are remortgaging every three to five years, thinking 'Oh it doesn't matter, it's going up in value'," says Gnessen. "But property prices aren't going up any more. I have clients so badly into debt that they have had to sell their houses and are now in rented accommodation."

Their message is that women should take action now. They recommend trying to live on the state pension for a week to shock themselves — though they know that for a generation raised on instant gratification, the thought of spending on something they won't see for 30 years is not appealing. Pine is also concerned that the tough times ahead may even cause mental health problems for those women who have used their plastic as Prozac. "The emotional drivers are not going to go away. I'm worried that there might be a rise in mental health problems such as depression." Gnessen says: "Once they start to feel bad about overspending, then from the research that Karen [Pine] has done, the shame and the guilt are negative emotions that are likely to perpetuate the same behaviour."

But if the credit crunch makes us take responsibility for our futures instead of living in the present, then maybe it will have done us a favour. As Pine and Gnessen say: "Money is such an important part of life. It affects everything. And yet it's the one thing we don't really talk about." A bit like death then, except more taboo.

Sheconomics: Karen Pine and Simonne Gnessen. Headline, £7.99.

£39 is for Vehicle Roadside Membership. Offer is only available to new Members joining by phone (quoting ref 6882) or online (at theAA.com/voucher), and paying by recurring annual payment method only. Applies to first 12 months of cover only and is not available for existing Members or on renewal. Voucher: allow 28 days for delivery; cash or other alternative not available; subject to availability and while stocks last. Cannot be used in conjunction with any other offer, nor in a breakdown situation. Offer can be withdrawn or varied at any time. T&C's can be found at theAA.com/breakdown-terms.

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> "The spanner in the works is the availability of instant credit and the fistfuls of store credit cards"

The miracle of compound saving

Compounding is quite miraculous when it's working for you; but not when it's against you.

Here's a quick teaser: if you put a penny into a jar on the first of January and then doubled the amount you put in every day for a month (2p on the second, 4p on the third, 8p on the fourth, etc) how much do you think you'd have at the end of the month?
a) 62p
b) £12.80
c) £10,737,418.00.
The correct answer is c) — more than £10 million pounds.

Think about it in terms of a loan. The amount attracts interest which is charged on the original amount plus the interest and then interest is charged on that and so on. The longer it continues the more you are paying back. When borrowing, always go for the lowest rate and the shortest repayment period. Financial planner Matthew Cuthbert worked out that if 35-year-olds put the £1.80 a day they spent on a cup of coffee into their pensions, by 65 they'd get £3,843 more every year for the rest of their lives.

Are you an under-earner?

Here are some questions (adapted from Barbara Stanny's book *Overcoming Underearning*) to help you to spot whether you are an under-earner. Answer yes or no:

1. Do you avoid asking for a pay rise or putting up your prices?

2. Do you work very hard for little money?

3. Would you think it unfair for you to earn a high income if other people work harder for less money?

4. Do you often give away your time for free, do jobs for people or put in extra time at work for no extra pay?

5. Do you find it hard to think of ideas to make money?

6. Are you often in debt, with no idea how you'll achieve financial success?

7. Are you proud of the fact that you can manage on less money than most?

8. Does the idea of having lots of money make you feel uncomfortable or fearful?

9. Do you live in financial chaos, with little or no idea of what you earn, spend and what debt you have?

10. Do you think that people who seek wealth are greedy?

If you answered yes to three or more of these questions, you are likely to be an under-earner. Your pay simply doesn't match your potential.

Maybe you justify it by telling yourself that you don't deserve more. Perhaps you take pride in rejecting the trappings of wealth. At some level you may be pushing money away from you.

Learn to love your pension

The thing is that we're all living longer. And we, the women, are outliving the men. A hundred years ago, when the Government introduced the state pension, it made perfectly good sense. Because most people died long before they could get their hands on a pension book. Men died at an average age of 49 and women at 53. Now many of us are living into our eighties and nineties. That means, not only will most of us draw a pension, but we'll be drawing it for a long time, maybe 30 years or more.

Yes, the future of the state pension in the UK is uncertain. And, quite frankly, it is deluded to think that the State will provide for you when you retire. So we've got to act quickly to make amends.

You're going to learn to love your pension. To see it as a gorgeous big cake that you'll start baking early, watch rise and feast on in your dotage. You may be feeling comfortable now — perhaps you're on a reasonable salary, perhaps you can even boost your income with extra earnings — the trouble is that spending has a sneaky way of keeping pace with earnings. And somehow saving gets sacrificed along the way.

Or we forget that we may simply outlive our savings. But when your earning days are over, what then?