

moneycontrol

Women, now's the time to take charge of your finances, investments

It is not difficult at all. You can do a formal course in finance and investing from a university, there are podcasts, books and videos—pick whatever works for you and get started

DEVINA MEHRA | MARCH 09, 2022 / 03:35 PM IST



Almost a year ago, a friend of mine lost her husband. While helping her sort out things, I realised she had absolutely no idea of the family's finances and investments, let alone the structure of her husband's business. This isn't an illiterate woman—she is well educated, a postgraduate in fact. This was the situation that brought home to me the absolute importance of being aware of and in charge of your financial well-being. This is not something that should be delegated even to your near and dear ones.

Too many women remain ambivalent about handling their investments and finances and often leave it to their husband, father, brother or other male relatives.

Here are some of the reasons why it happens and how you can move beyond the mental hurdles and give yourself a true gift.

Delegate other tasks but not this

Often I find that even professional women, do not get involved in the family finances and investments.

Part of the reason is that they already feel overburdened because a lot of the physical and emotional labour of running a household remains with them.

So when you are already working outside the home, managing household staff, juggling everything from the children's schedules to the mother-in-law's medication, you don't want to take on more responsibilities. Many women think that “it is okay that my husband is willing to take care of this chore, so why not let him do it. It is one thing off my plate”.

This is not sensible thinking. You may have to negotiate this but delegate other tasks and keep control of your finances. Even if you are a homemaker and do not have direct income of your own, you can still volunteer to do this as part of your share of family duties.

“**Delegate other tasks and keep control of your finances.**”

The myth of male competence

One reason why women often hesitate to take over or manage their investments and finances is that they feel under-confident and think that they are not equipped to deal with such matters.

There are two parts to this: One, now it is easier than ever to educate yourself and that, too, in a form that makes learning easy for you. Today you can do a formal course in finance and investing from a university, you can listen to podcasts, read books and articles or watch videos—whatever helps you to learn the basics.

Two, let me tell you a secret: Just because a man in your life acts more confident, does not mean that he knows more about financial matters. Confidence does NOT equal competence. Several studies show that women actually perform better at investing than men even though men think they are better at it!

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Losses are a feature, not a bug

When you do start investing, one thing is for sure: there will be losses at some stage of your investing journey. Know this and accept this upfront.

The important thing is not to look at these losses as a personal failure or as a sign that you don't know what you're doing. I will tell you what losses really are: they are the fees or the price of a ticket to the investment game.

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It is as the software guys say: the losses are a feature, not a bug, meaning they are meant to happen. Thus don't lose heart in your capabilities if and when you do face losses.

Else both women and their menfolk tend to beat them up for losses, whereas the same does not happen if the man is the one making the losses.

Risk management is key but not total risk avoidance

Having said that, you must take adequate precautions so that none of these losses are crippling or more than you can afford.

Risk management is always key in investing. Learning about this and putting it in place is extremely important in your investing journey.

However, risk management does not mean that you go only for investments that are 100 percent risk-free for 100 percent of your corpus because this strategy will also limit your returns.

While higher risk doesn't always equal higher returns, if you are young will likely have to go beyond the 100 percent safe investment to optimise returns.

Don't be on either end of the risk spectrum

Often women—and men—can be too skewed on risk either way and this tendency has aggravated of late. Thus, people can lurch from bank fixed deposits straight to crypto trading. Be sensible and make deliberate decisions about what you want to do and why rather than going with whatever the current trend is.

The really good news

All investing studies show that most of your returns come from asset allocation in your investment pie chart and not from security selection.

In simple language, what this means is that it is more important to know how your entire portfolio is allocated across fixed income (including fixed deposits, income mutual funds, etc), equity (both direct and through mutual funds), commodities, real estate, gold, etc and across geographies including those beyond India than it is to know every hot stock that someone may be boasting about in a party.

This also means that the time that you need to spend on your investment gets reduced dramatically. You don't have to search for that elusive multibagger. Instead, you have to follow strategies that give you the optimum returns over time with proper allocations.

You will need to diversify beyond that into others assets like fixed income and gold as well, and ideally, beyond India with an asset manager who can provide you a dynamic and tactical asset allocation.

The choice of your asset or investment manager may be the most crucial investment decision you make—more so with the limited time that most women have with multiple demands on their time.

Happy Investing.

(Devina Mehra is the Founder and Chairperson of First Global, a leading Indian and Global investment Management firm.)

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DEVINA MEHRA, the Co-founder, and Chairperson of First Global, is an IIMA gold medalist. After a successful stint with Citibank, she became a member of the BSE and launched India's leading institutional brokerage. This thereafter transformed into a pathbreaking Global Asset Management firm -- First Global. (She tweets at @devinamehra. Website: Firstglobalsec.com)