Women and money: five things to know

Women and men don't have the same relationship to money. For one thing, women are likely to have less of it. While the wage gap between men and women is getting smaller but women still earn less than men. Women have to get more excited about building wealth.

1. Get comfortable talking about your money

"It's good for women to talk with other women about finances. So find friends with whom you feel comfortable discussing finances," says Finn, who is focused on creating communities of women who talk with each other about investing.

Think of these get togethers as investment-themed tupperware parties, says McGee. The focus should be on building an environment where you feel comfortable asking those questions and where you don't feel intimidated.

Whether you are talking to your friends or to a financial advisor, you need to feel comfortable enough to ask questions, says Finn.

The gender of your financial advisor should not matter. What matters is if you feel comfortable talking with her or him. Remember, no question about investing is too basic or too stupid. Asking questions is a great way to learn.

2. That goes for your home, too

For all the quarrels over which is the best way to stack a dishwasher and whether the toilet seat is up or down, finances are the #1 cause of discord between couples," says McGee. "You need to be very open about finances, and be as confident talking out financial priorities and issues as you are discussing anything else.

3. Prioritize your investments

While starting saving for your retirement is important, there are a few things that should come first.

"It's important to have an emergency fund saved to start," says Finn. "Then, think about what you are planning to spend money on in the next several years. Once you have your emergency fund and money for near term needs set aside, then you can consider money for long term investing."

Keep in mind that smart management of your money requires you to be an active participant. After all, your priorities will change over time, says McGee.

[You] need to review what you're doing on a regular basis. Your life changes: you get a new job, a bonus; get married; have a child. That changes your savings and investment objectives.

As for your retirement, a good place to start would be a 401k plan offered by your employer.


Women are less likely to take risks Photograph: IML Image Group Ltd/Alamy

4. A little risk wouldn't hurt

Women tend to be more risk-averse, which is both a good and bad thing, says McGee.

We're less likely to be tempted into getting involved in "get rich quick" schemes, and more likely to ask a lot of questions. On the other hand, that risk aversion can work against us when we're taking sensible risks. Investing can always feel risky, but it doesn't have to be as risky as it might feel.

Hopefully, the more comfortable you are talking about your money and asking questions, the more comfortable you will be taking calculated risks.

5. Know what to ask a financial adviser

Are you a "fee-only" advisor? Fee-only advisors are only paid by their clients, so they minimize conflicts of interest.

Who is the custodian of my investments? If someone is custodying their own investm, it is a big red flag. *[Ed note: custody is holding on to client assets; most reputable firms outsource it.]*

What is your investment philosophy? Ask the person if they believe they can "beat the market" with active management (picking stocks) or market timing, or if they instead use a more "passive" or "index" approach. It is very hard for anyone to beat the market in the long run, assuming they are being compared to an appropriate index."

How tax efficient is their investment style? As tax rates rise, that is even more important.