



The Health-Wealth Connection and Gender Differences

By Kathleen McQuiggan

Introduction

Americans go to the doctor an average of four times a year, and the CDC reports that 85.1% of American adults have had contact with a health care professional in the past year. In stark contrast, according to CNBC only 17% of Americans have used a financial advisor to help them manage their finances. When it comes to financial health, many people are just crossing their fingers.

What makes this more concerning is the strong correlation between financial and physical health. In a survey conducted by Mercer, 60% of people said they are at least somewhat stressed about their financial situation. In a study conducted by LendingClub, they discovered that Americans who report poor financial health also tend to have poor physical health. MarketWatch reported last year on several studies, which laid out the physical manifestations of financial stress on the body, including migraines, depression, anxiety, ulcers, digestive issues, disrupted sleep, high blood pressure, and heart attacks. Even in booming economic times, studies show that Americans stress about money more than anything else.

There is a strong link between financial health and physical health, so in a nation dealing with unprecedented stress levels, much of which can be

attributed to financial concerns, why aren't we prioritizing financial wellness? The answer may lie in the problem itself; "The more anxious someone is about money, the less likely they are to deal with it," Dr. Mary Gresham, an Atlanta-based psychologist told Goldman Sachs. "Many people who are deeply anxious about money will handle that anxiety with avoidance. Unfortunately, their avoidance increases their anxiety, and then they want to avoid even more."

Financial Wellness Needs Differ by Gender

Financial wellness is typically thought of as one's ability to cover day-to-day expenses and absorb an unexpected financial shock. According to Mercer Health, most financially healthy people are those with a long-term plan who have their day-to-day finances in control but who also prioritize retirement, long term care, and healthcare expenses in retirement. As it turns out, men are more likely to focus on the long-term financial picture than women, whose worries generally center around keeping up with monthly expenses and managing credit card debt.

Mercer also reports that the greatest determinant of financial health is not financial knowledge, as one might expect, but financial courage, which Mercer defined as "confidence in tackling financial issues." Again, on average, men displayed higher levels of financial courage than women, with 49% of men exhibiting



medium to high levels of financial courage in contrast to only 30% of women. Not only do women have different attitudes towards money, but they also face a different set of financial planning circumstances than men, including a longer average life span, greater caregiving responsibility, and lower levels of pay.

“When it comes to preparing for the long term, women face a ‘perfect storm’ financially: they are paid less than men are on average, have more gaps in employment, engage in more part-time employment and are more risk-averse investors,” reported Mercer, citing data from the 2014 National Institute on Aging. Growing Older in America: The Health & Retirement Study. “All of these factors potentially reduce the amount of money women are able to accumulate for retirement — yet a woman’s retirement tends to last on average three years longer than a man’s does.”

It is clear that women’s needs differ from men when it comes to financial planning and retirement readiness — and these needs are not being met. Most retirement plans offered by employers today do not consider the many factors that uniquely affect women, and many traditional financial advisors are not in tune with women’s distinct needs.

Important Wealth Building Concepts

The good news is that there are steps both women and men can take to improve their financial health, up their financial courage, and lessen their financial stressors!

1. Debt Management is Critical

Before you can start building real wealth, get your debt under control; that’s because most debt is expensive. You can use a simple Google sheet to organize and visualize your various loans. This will help you prioritize which loans need to be paid first (those with the highest interest), and it will help you feel more in control over your debt. As MoneyUnder30.com wrote, “It’s difficult to climb a mountain you cannot see.”

2. Savings is the Key to Building Wealth

One of the most common questions people have is how much should I save? The answer depends on your situation and goals. To determine how much you should save, you’ll need to:

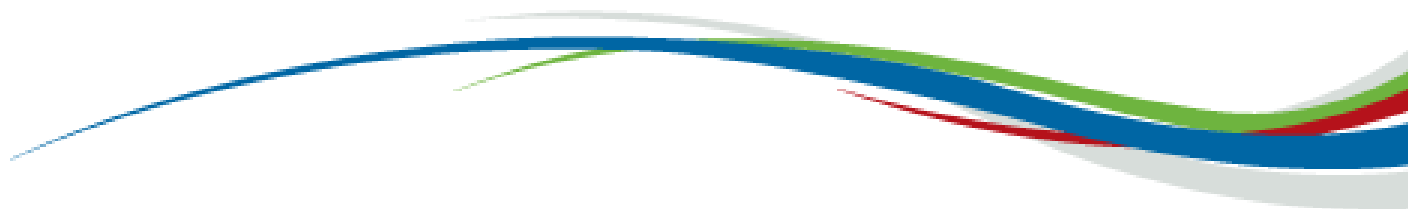
First, establish an emergency fund with 3-6 months of living expenses.

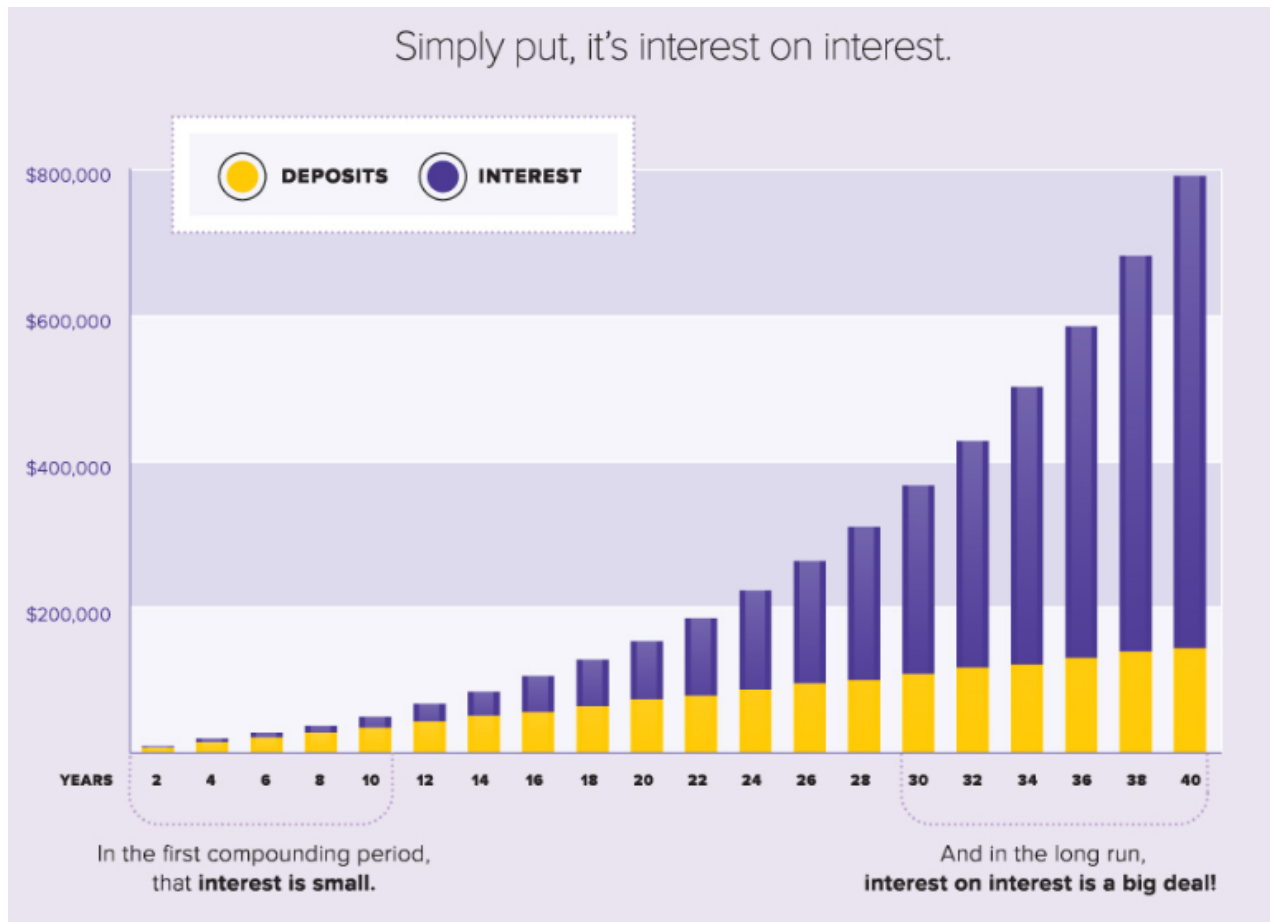
Second, pay off bad debt, which could be expensive credit card debt, or it could be a large amount of educational debt.

Third, implement a spending plan. Understanding your personal cash flow will allow you to determine how much of your income can be available for savings.

3. Invest & Let Compound Interest Work for You

Saving is the foundation that enables you to invest, and investing is what will help you generate real long-term wealth. Even if you have never invested a dime in your life, you can start today and your investments will compound over time. Compound interest builds on itself; this means that you are getting interest on your interest.





<https://wealth.visualcapitalist.com/visualizing-power-compound-interest/>

Bottom Line

Anyone can become an investor and it is never too late to get started! Checking in on your financial health is the first step. An experienced financial planner can help you get started in creating a realistic financial plan that includes insurance, long-

term care, retirement, savings, debt management, and wealth building strategies. Just remember, financial needs vary by gender, so be sure to seek out an advisor who understands the unique circumstances men and women face.

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