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Empowering tips for female investors

Women are excellent savers, but they can be reluctant investors.

According to figures published by HMRC in 2023, women hold around 52% of all ISAs, but the majority put their money in cash over stocks and shares. In the 2020/21 tax year, 1.7m men invested in stocks and shares ISAs compared with 1.12m women.[1]

Setting aside some cash savings for an emergency is important. But many savers don't realise that holding cash for long-term goals such as retirement can be a risky strategy that could mean you fall short of your goals. Investing offers the potential for higher returns than cash accounts and could help women achieve their financial dreams.

To help empower more women to invest, we have put together some tips on how to get started.

Focus on the long-term gains

Once you've got some cash savings in place, focus on the potential gains of investing for your long-term savings.
By investing, you give your money the greatest chance of beating inflation, to grow its real value over time.

The power of compounding can help boost your investment returns. So, when your investment generates returns, those gains are reinvested and earn returns, too. If you can leave your investment untouched for at least five years or ideally much longer, the snowball effect of compounding could generate significant gains. For example, somebody investing £10,000 in the stock market over two decades, earning an average of 5% a year after charges but before inflation, would arrive at a total value of £26,532 after 20 years, of which more than £6,000 would be due to the effects of compounding.

Of course, investing comes with more risk than sticking to cash. Your investments may lose as well as gain money.

Get started with regular investing

When times are uncertain, investors may want to hold on to cash until markets pick up or there is less volatility. However, no one can be sure when markets have hit rock bottom and will recover. It's best to get started and be prepared to ride out the highs and lows over time.

You can start investing with a small, regular amount – for example, £100 a month. This can get you into the habit and build your confidence. This approach may

(1) HMRC Annual Savings Statistics 2023.

also reduce any worry around investing at the wrong time – or before a market fall. You'll also buy more investments for your money when the markets are down, and fewer when they are up. Over time this can help to iron out the peaks and troughs of the market.

Hold your nerve and diversify

There have been plenty of worrying times for investors throughout history, but investors who held their nerve through the market dips ultimately reaped rewards over time. So, don't lose sight of the bigger picture and let your emotions dictate your investment decisions. You may be tempted to sell your investments and move to cash when markets are falling, but doing so only serves to cement your losses.

You can reduce your investment risk by spreading your money across a range of different asset types, such as stocks, bonds, cash, and property. A financial adviser can recommend the right mix of investments to suit your attitude to risk and investment goals.

Maximise your pension power

Bear in mind that if you're paying into a pension, you're already invested. However, women's pension contributions are typically lower than men's because they are based on a percentage of salary. Latest figures show that among all employees, women earned 14.3% less per hour than men in the UK in 2023[2].

No matter how much you earn, it's worth contributing to your workplace pension, as you'll benefit from top-ups from your employer and income tax relief. Workplace pension contributions are often taken from your gross salary, meaning you won't pay tax on the amounts invested. If you pay into a personal pension, the government adds basic rate tax relief to your contributions, with any higher or additional-rate tax relief being claimed through your tax return. This means that a £100 personal pension contribution only costs you £80 if you're a basic-rate taxpayer, or £60 if you're a higher-rate taxpayer.

Seek help along the way

As revealed by an RBC Wealth Management survey of 600 UK-based high-net-worth individuals, around eight in 10 (81%) women feel they need guidance when it comes to investment management. This compares to 67% for men. Similarly, 73% of women felt they would benefit from more guidance on how much is enough to retire, compared to 59% of men.

These data emphasise the benefit of speaking to a financial adviser, particularly if you're new to investing. They'll take time to understand you and your goals, and recommend the steps you can take to get your money working as hard as you do, helping you rest assured you're doing the right thing with your finances.

(2) ONS Gender pay gap in the UK: 2023.

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