



Ms. Biz Newsletter

NEWS

Ms. Biz

with all

the biz

a Ms.

needs

to know in

personal

finances

and in

life.

November Wealth Tip

Women have a natural gift for creating wealth and managing resources. In 2007, two separate studies by research firms McKinsey and Catalyst showed that the companies in Europe and the U.S. with the most women on their boards were more profitable than others. Why is this? Money is a creative process and the majority of women have a natural propensity for creativity and adaptation. Creating wealth is about pulling something out of nothing. Women have an inert knack for pulling resources out of their "hat;" be it the homemaker who creates a delicious dinner combination from leftovers, or the single mom who helps her children excel with little or no resources, or the CEO who masterminds a corporate agenda. Women have a natural gift for creating wealth and managing resources. What are you doing to explore this gift and further its growth in your life?

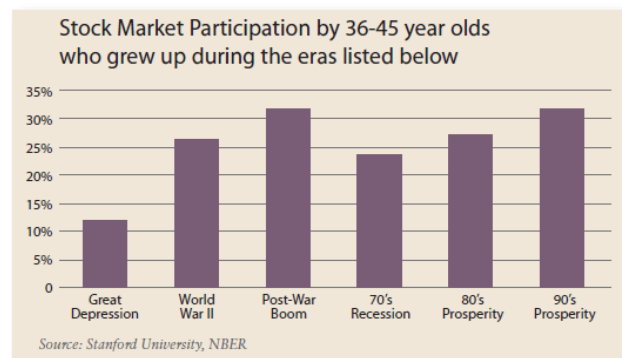
The Financial Crisis, Our Children, and Risk Tolerance

During the worst of the Great Depression, 25 percent of Americans were unemployed. Lacking income, families could not afford mortgage payments, food, or clothing. As many as 250,000 children were homeless. Thousands of schools closed due to lack of funding, and about 3 million children had to leave their schools. So, it's not at all surprising that people who experienced the Great Depression, as young adults were not eager to embrace the risks associated with investing, as they got older. In fact, researchers have found evidence that macroeconomic shocks affect attitudes toward risk and investing.

The correlation between economic experience and attitudes toward risk (measured by an age group's desire to invest) are reflected in the chart below. As you can see, just 13 percent of people who grew up during the Depression invested in the stock market between the ages of 36 and 45. Among those who grew up during the post-World War II boom, 32 percent participated in the stock market. Risk aversion became more prevalent following the economic downturn of the 1970s and gradually eased during the go-go '80s and '90s.

Although many pundits (experts) are predicting that American adults will return to their high spending ways within a few years of recovery, it is possible that children and young adults — who have experienced the fear and financial turmoil created by foreclosure, lost employment, change of schools, and other economic consequences of the downturn — will be more risk averse than previous generations.

Today, we are experiencing an exceptional, teachable moment. Talk with your children about the ups-and-downs of the market and the business cycle so they will have a better understanding of our economy and financial systems. Investing consistently is the ONLY way to prosper.



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Empowering Women in Personal Finance

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