Women Are Not a 'Niche' Market. They Are a Significant Business Opportunity.

A GUIDE FOR INVESTMENT PROFESSIONALS

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Women Are Not a 'Niche' Market

They Are a Significant Business Opportunity

Investment professionals have long viewed women investors, at best, as a secondary market or, at worst, as a minor niche market to be served by a few specialists. However, significant social and economic trends are gradually putting more women investors in the driver's seat, and investment professionals who do not develop successful approaches for serving them may be left in the dust in the coming years. The good news is that most investment professionals can seize the opportunity to serve this market by leveraging existing advisory relationships. This report, based on the findings of the Sullivan Trust Study, provides investment professionals with insights into women's investment preferences and offers ideas for strategies and action steps to secure the trust and business of women investors.

With so much recent media coverage about the nation's economic woes, it is easy to miss important news about trends that signal the emergence of women as a primary economic force and a major growth opportunity for financial professionals. Women comprise nearly two-thirds of the U.S. workforce, and more than half of married women with business-related degrees out-earn their husbands. This workplace reality shatters the outdated image of women as secondary earners and replaces it with a vision of women as high earners with significant investment dollars.[1]

Women also wield enormous influence as business owners. In 2009, according to one study, there were as many as eight million businesses in the U.S. that were majority women-owned, for a total economic impact of $3 trillion annually. The study points out the gross domestic product (GDP) of women-owned businesses would surpass that of France, Italy and the United Kingdom.[2]

Women's spending power is significant, as well. They control roughly two-thirds of annual spending in the U.S., which adds up to about $12 trillion. About 80% of women will be solely responsible for household financial decisions at some point in their lives.[3]

> **64%** of women millionaire investors and **82%** of women ultra-high-net-worth investors sought financial advice.[4]

[1] Statistics from US Census Bureau; BCG study, 2010; Allianz study, 2008

[2] Center for Women's Business Research, "The Economic Impact of Women-Owned Businesses in the United States." October 2009

[3] *Financial Advisor Magazine*. "The Emerging Profile of Women Investors." August 2008

[4] Spectrem Group. Study of Wealthy Women Investors. June 2011

There also is evidence that women are more open to professional advice. A survey released in June 2011 found that women were more likely to engage with financial advisors than men (46% vs. 34%).[5]

Earning power, spending power, business ownership and high net worth are typically key attributes that successful investment professionals look for when they pursue new clients. When it comes to women, however, these attributes and the potential they signal are often overlooked. Many investment professionals view women investors as a niche market, served by a handful of specialists, while others recognize the business opportunity women represent but do not know how best to pursue it.

In either case, this report offers actionable ideas to develop strategies that can help investment professionals secure and serve women clients at every stage of their lives—whether they are young and forming preliminary financial plans, single or married and building their careers and assets, or divorced or widowed and reshaping their financial strategies to meet new goals.

One reason why many investment professionals overlook the opportunities represented by women is that they work with women investors, if at all, solely through their husbands. Even though these wives are indeed clients—and may have assets separate from those they share with their husbands—too many of them are not invited to face-to-face meetings. Or, if they are, they are largely ignored.

QUESTIONS TO ASK YOURSELF

How much information do you have about the employment, income and business ownership status of your women clients? Are you currently taking steps to gain women clients? Is this a focus area you agree that you should be pursuing?

Single women (including those who are divorced or widowed) may receive greater focus since they own their investment portfolios outright, but this does not mean that they are satisfied with how their investment professionals are serving their needs.

[5] Spectrem Group. Study of Wealthy Women Investors. June 2011

INVESTOR SATISFACTION SCORES BY GENDER

Survey Questions: How would you rate your primary financial institutions in the following areas over the past years? Reflects percentage of investors who rated performance in the top two boxes ("Good" or "Excellent").

		Total	Men	Women
COMMUNICATION	Clarity of communications	72%	76%	68%
	Communicating in a sincere way	72%	76%	69%
	Providing perspective on the economy and markets	58%	60%	57%
	Acknowledging they know how I feel	60%	62%	58%
	Making me a smarter investor	55%	60%	49%
	Helping me with financial topics beyond investing	52%	56%	48%
	Demonstrating how working with them is better	57%	60%	54%
MANAGEMENT	Leaders of the firm being visible	58%	59%	56%
	Leaders of the firm being open and honest	65%	68%	63%
SERVICE	Proactively reaching out to me	57%	60%	55%
	Addressing concerns promptly	75%	78%	72%
	Taking time to review my portfolio and suggest changes	60%	62%	58%
PRODUCTS	Clearly articulate downside risks of investments	62%	66%	57%
	Alerting me to products that may meet needs	63%	65%	61%
	Educating me on what products I am buying	64%	67%	61%
	Being transparent about all product fees and charges	70%	72%	67%
	Mean Satisfaction Score	63%	65%	60%

Significantly Higher

As a result, women as a group are less satisfied than men with the performance of their financial professionals. According to a 2011 Sullivan Trust Study, women rated financial professionals and their firms lower in every category of performance. Many of the gaps were significant. Only 49% of women said their advisors focused on "making me a smarter investor," compared with 60% of men. And only 57% said their advisors "clearly articulate downside risks of investments," compared to 66% of men.[6]

In addition, more than 70% of married women fire their financial professionals within one year of their husbands' deaths.[7] This represents a sizeable loss of assets when you consider that half of women over age 65 outlive their husbands by 15 years.[8]

[6] Sullivan Trust Study. Conducted online from December 2010 to January 2011, with input from 1,290 investors across the U.S. who had minimum total investable assets of $100,000 (not including workplace retirement plans). Data weighted to reflect the U.S. population of $100K+ investors, based on the 2007 Survey of Consumer Finance

[7] *Financial Advisor Magazine*. "The Emerging Profile of Women Investors."

[8] MileStone Bank, Financial Empowerment for Women, February 4, 2009

Women who go through a divorce are also very likely to leave their husbands' advisors, a significant business risk for investment professionals when today's divorce rate hovers at 50%.[9] There is no reason why the wife should not remain with the current investment professional, if there is an advisory relationship the wife considers worth preserving.

QUESTIONS TO ASK YOURSELF

When you review married clients among your current relationships, do you believe that you have a strong relationship with both the husband and wife—particularly among the over-65 group?

Where Many Investment Professionals Miss Out

Advisors commonly make two missteps in their approach to women investors:

1. Failing to acknowledge that women are a distinct, important group that requires specific focus
2. Acknowledging the importance of this group, only to then go about pursuing their business in ineffective ways, most commonly "targeting" or "selling" to women—a strategy doomed to fail

If they are not acknowledging and evaluating the value of women investors as clients, investment professionals are taking a shortsighted view of their business. Chances are that women already constitute about 50% of an investment professional's business as part of a couple. Given that the amount of wealth controlled by women is expected to grow at an average annual rate of 8% from year-end 2009 to 2014, their influence in long-term financial decisions is only going to increase.[10]

[9] Rate was calculated based on 2009 CDC figures. For every 3.4 divorces (and annulments) per 1000 population versus 6.8 marriages per 1000. http://www.cdc.gov/nchs/data/nvsr/nvsr58/nvsr58_25.pdf

[10] Boston Consulting Group. "Leveling the Playing Field: Upgrading the Wealth Management Experience for Women." July 2010

Why It May Not Be Working

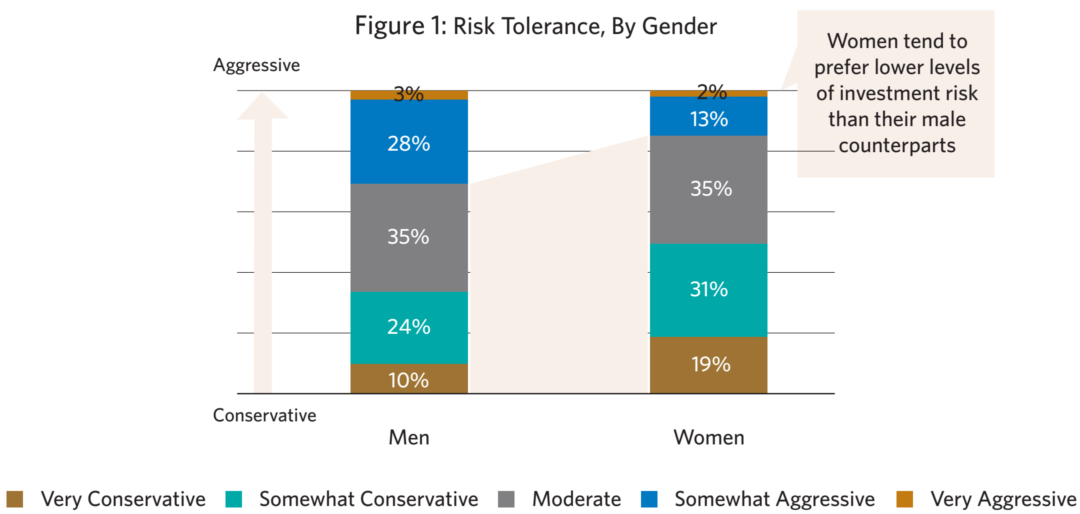
These factors all point to a simple conclusion: women investors want to be treated equally to their male counterparts. They do not want to be stereotyped, assumed to have generic needs or spoken to as if they are ignorant.

Equal treatment, however, does not translate to identical treatment. Women often have very different life circumstances from those of men and varying degrees of experience with finances. Thus, advisors need to modify their approaches to forge productive relationships with female clients. It is a difficult balance, but they can and must do this in a way that moves beyond stereotypes to draw on a deep understanding of women's unique investment requirements, goals and concerns.

Risk Tolerance

Financial studies routinely report that, as a group, women tend to prefer lower levels of investment risk than their male counterparts.

Figure 1: Risk Tolerance, By Gender



Source: 2011 Sullivan Trust Study: Risk Tolerance, By Gender chart

In the Sullivan study, the percentage of women who describe their investment style as "somewhat aggressive," was less than half that of men (13% vs. 28% for men). On the other hand, women were nearly twice as likely as men to describe themselves as "very conservative" investors (19% vs. 10% for men). On the surface this would seem to indicate that women are predictably "conservative" as a group.[11]

RISK TOLERANCE AND RELATIONSHIP STATUS Female Respondents		Single	Married	Partnered	Divorced	Widowed
	Very Aggressive	2%	2%	0%	1%	0%
	Somewhat Aggressive	12%	13%	18%	14%	4%
	Moderate	41%	37%	42%	26%	32%
	Somewhat Conservative	33%	33%	20%	29%	23%
	Very Conservative	12%	15%	20%	30%	40%

Widows were MORE THAN THREE TIMES as likely as single women to describe themselves as "very conservative" investors.

However, the Sullivan Trust Study also looked at how life circumstances impact a woman's view of investment risk, which put the conservative stereotype into perspective. The study found that widows were more than three times as likely as single women to describe themselves as "very conservative" investors. Roughly one in seven single, married, partnered or divorced women describe themselves as "somewhat aggressive" investors.[10]

The bottom line is that life circumstances can significantly affect risk tolerance and assumptions regardless of gender. It is important not to assume that one will automatically avoid risk; investment professionals should try to gauge risk tolerance, ask questions to uncover reasons for certain preferences and provide the right information to address any concerns.

QUESTIONS TO ASK YOURSELF

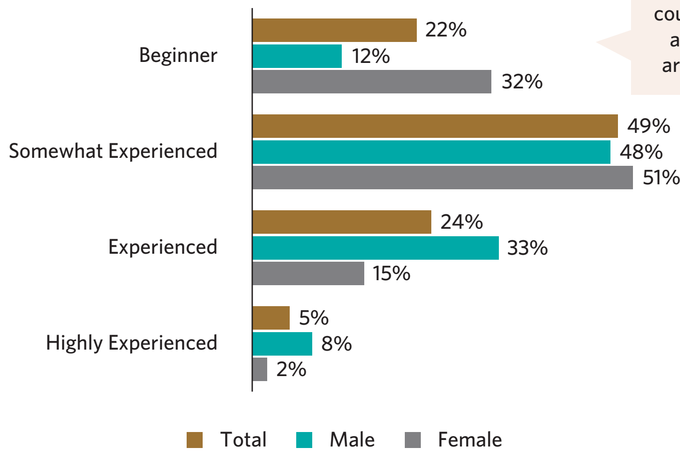
Are you making assumptions about the risk appetite of your women clients? Are you alert to the distinction between asking about risk (to gain more information) and being risk averse?

[11] Sullivan Trust Study

Experience levels

Another well-established stereotype involving women is that they are less comfortable or less experienced in making investment decisions. On the surface, the results of the Sullivan study would seem to reinforce this assessment.

Figure 2: Investor Experience Levels, By Gender



Women in the study were nearly three times more likely than their male counterparts to describe themselves as "beginners" in the investment arena. However, do not stereotype.

Source: Sullivan Trust Study: Self-Reported Investor Experience Levels, By Gender

Women in the study were nearly three times as likely as their male counterparts to describe themselves as "beginners" in the investment arena (32% vs. 12% for men). Men were four times as likely to consider themselves "highly experienced" (8% vs. 2% for women) investors.[12]

When we examine traditional gender roles for married couples. Men and women often divide responsibilities. Many wives are deeply involved in family finances, handling virtually every aspect of the budget, loans and financing. Thus, although their husbands may be more focused with learning extensive details about mutual funds, it does not mean that these women cannot understand investment concepts.

[12] Sullivan Trust Study

Investment professionals who understand this reality will focus their attention on gauging a female investor's experience in certain financial topics, then building her knowledge from there. Women will not, however, tolerate advisory approaches that try to over-simplify complex solutions or hard-sell specific instruments without providing a clear rationale.

In addition, women are more focused on planning than investing, according to an October 2011 report by the Spectrem Group. The report indicated that women investors may trust advisors less readily than men do because advisors are not devoting adequate time to understand the issues that matter most. These key issues, according to the report, include the financial wellbeing of children and grandchildren and whether they will have adequate funds for retirement.[13]

QUESTIONS TO ASK YOURSELF

When working with women clients, are you inclined to step back from specific investment products to delve into broader topics of long-term security and the overall financial success of their extended family?

What Can Investment Professionals Do?

Investment professionals who want to build their business by attracting and serving women investors can approach the opportunity in two ways. The first, and most easily acted upon, is simply to refine your approach to the women investors you already have.

As with any initiative, start by reviewing your current relationships. Identify your top-tier female clients who are either single (unmarried, divorced, widowed), or part of a couple. Based on this review, you should be able to determine one or more strategies for deepening your business relationship with certain clients, opening lines of communication with wives and partners, or seeking referrals to high-net-worth women in the community.

[13] Spectrem Group. "Advisors Fail Affluent Women." October 26, 2011

QUESTIONS TO ASK YOURSELF

What would happen if one of your key male clients were to lose his job or die and his wife were to assume a more prominent role in the client relationship?

If your research reveals that women make up a large percentage of current high-net-worth clients as part of a couple, you should demonstrate that you value them and their ideas. You can do this by:

- Requesting that both parties be present at your next meeting
- Treating women as equal partners in the relationship
- Listening to each voice. This reinforces a sense of respect and trust
- Hosting couple-friendly events or workshops to further reinforce your interest in the wellbeing of both partners
- Asking for the female client's e-mail address to send her investment newsletters, notifications and updates directly

Beyond the women who are part of couples you serve, there are many other women who would welcome the help of a straight-talking, compassionate investment professional. Some of these women are single professionals, while others seek an investment professional due to a dramatic change in their lives, like divorce or the death of a spouse.

For example, women in same-sex partnerships, or marriages in the states that allow it, have a significant need for financial advice. Since the federal government does not recognize same-sex marriages, women in these partnerships cannot access many tax and legal benefits that heterosexual couples enjoy. This creates significant complexity as life partners strive to intertwine their financial goals and resources for the long term, while working within legal restrictions.

> Many single, professional women have built up significant assets and would welcome financial advice. Yet, in many cases, they have never been approached by an investment professional.

Investment professionals can serve all of these prospective clients by learning more about their areas of concern. For instance, you can become certified in specific areas of financial planning that deal with divorce, special-needs children, same-sex partnerships or eldercare planning. You may also want to better understand the unique difficulties that women face as they experience a divorce or grapple with the grief of a lost spouse. A good starting place for such education is to join local or regional associations or networks that are specifically geared toward supporting women during these tough transitions. If your interest is sincere and your intent is to learn—not sell—this can be a very positive approach.

Case Study: Specializing in Divorce

A New York-based advisor has achieved significant career success by helping clients—particularly women—transition through divorce and achieve financial security. The advisor shared these insights into developing a business in this client segment.

In a divorce, there is a disproportionate number of women who immediately need new experts to provide financial and investment advice. Since these women in many instances have less experience with investment topics, they need a crash course in finance—at a time when their lives are already in upheaval.

Such women are looking for two things: someone they can trust and someone who will provide clear, straightforward advice without over simplifying the message. This means that they value advisors who take time with them, exhibit patience and answer questions.

Investment professionals who focus on serving these affluent women may wish to pursue formal education relating to divorce and its implications for financial planning and retirement. For example, investment professionals can study to earn a Certified Divorce Financial Analyst designation, which gives them a stronger basis for building their client base in the direction of divorcees, particularly women.

After they have built their experience in handling several divorce transitions, these investment professionals may ultimately form alliances with divorce lawyers to provide seamless support for women going through the divorce process. In time, even if divorce-related investment counseling does not become a specialty, such experience can expand the investment professional’s client base and provide invaluable insights into the concerns and specific needs of all women investors.

A Word About Communication

When communicating with women you have identified as highly valuable clients or viable prospects, keep in the points below in mind:

> **Do not assume.** Just because your client is a woman, do not jump to the conclusion that she fits into a broad stereotype of "women investors" or that she would feel more comfortable with a woman investment professional. As with any client, take the time to get to understand her needs and goals holistically.

> **Tune in.** Be cognizant of the various life circumstances that bring women to your door.

> **Prepare to educate.** As you are providing women with holistic advice, ask questions to determine if there are financial areas where they would appreciate additional education. Women want to understand what is going on with their portfolios and how they are invested. The level and type of education will vary with each woman, so handing out a brochure is not the answer. Take the time to provide the level of education your client is looking for—without condescension.

> **Be transparent.** Trust is an important component of any investment professional-client relationship. Clarity in reporting, communications and fees can help build trust and solidify relationships.

Naturally, good communications—including strong listening skills and a bias-free approach—will serve you well in any client relationship.

If you choose to focus on serving women as a key driver of business growth, do not pursue it halfway. Make a commitment and stick to it. A superficial or short-term effort is bound to fail and may in fact damage your relationship with existing clients, both men and women, as well as the community at large.

Conclusion

Women represent a significant client opportunity for investment professionals, both because of their expanding economic power and because of their prevalent dissatisfaction with the service they are receiving now. As women divorce or become widowed, they have the ability to entrust significant assets to investment professionals who are able to serve their needs. If you choose to make women investors a part of your growth strategy, it will require that you set aside stereotypes, focus on the individual needs of each woman investor and become an outstanding listener and teacher. Mastering such skills is what makes a great investment professional—no matter the client's gender.

Serving Women Clients: Action Steps

1 Review your current relationships

2 Among your clients, identify and list the divorced, single or widowed women and for all of them, ask yourself:

> How much do I know about their financial and retirement goals?

> Have I ever asked about topics that go beyond the obvious investment categories—such as elder care, children's education or health care?

> Are there areas of interest or apprehension that I have detected but never delved into?

3 For each of your clients who are part of a couple, list the wives or partners and ask yourself:

> Have I ever met the wife or partner?

> Has she been attending my regular client meetings?

> If not, have I made an effort to invite her?

> If so, have you taken the time in meetings to direct questions her way and to include her in the conversations?

> Have you collected her e-mail address so she can receive the same communications as her husband or partner?

4 Consider opportunities to attract new women clients to your firm through:

> Offering education on pertinent topics such as divorce and bereavement

> Hosting lifestyle events, perhaps featuring high-end products and services

> Becoming certified as a financial planner in divorce situations

> Joining or serving on the boards of organizations in which women are leaders or that deal with women's issues

> Presenting on investment topics at conferences where affluent, professional women will be in attendance

> Conducting local workshops that deal with topics that may be of special interest to women: dealing with elder care finances, college planning, managing divorce, etc.

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FOUR KEYS TO YOUR SUCCESS

Our experience and research show that four key issues represent the greatest challenges facing investment professionals today. Our practice management solutions target the areas that may have the largest impact on your business.

This paper helps you drive GROWTH.

GROWTH

Achieve your potential through client acquisition and retention, referral programs and mergers and acquisitions

HUMAN CAPITAL

Attract, retain and develop top talent while preparing for a smooth succession

OPERATIONAL EFFICIENCY

Take control of rising overhead costs and build a more streamlined, scalable infrastructure for your firm

RISK MANAGEMENT

Stay in step with fast-changing regulation, and protect your business against unexpected events

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