



How Women Can Build on Their Strengths
to Reach Their Investing Potential

FIVE HEALTHY HABITS FOR FEMALE INVESTORS

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Never let the facts get in the way of a good story. That could describe the investment industry's misperceptions of women and how they invest.

MISPERCEPTION

Female investors are indecisive, self-doubting and overly emotional.

TRUTH

Female investors are detail-oriented, risk-aware and in it for the long haul.

Women are now the decision-makers for a vast amount of investable assets.

- \$22 trillion of wealth is expected to be controlled by women in the US by 2020¹
- 60% of women have sole responsibility for household investment decisions²
- \$15 trillion of consumer spending is influenced by women in the US annually³

But the facts are still undermined by misperceptions around how women invest and what motivates them. The result? Few women feel understood by the investment industry. The real danger is that this disconnect is negatively impacting women's financial wellness.

A POSITIVE IMPACT ON THE BOTTOM LINE — MOVING BEYOND MISPERCEPTIONS

Women have come a long way personally, professionally and financially. Thanks to a seismic shift toward women's growing personal and financial power, they are poised to move into true financial independence. Despite this progress, when it comes to finance, there is a gender gap in advice.

The business case for gender equality isn't just about the economics and financial markets. The heart of the matter is more personal — it's about unleashing women's financial power and the financial services community truly being invested in a women's definition of a financial life well lived.

Unfortunately, gender roles run deep in our society, often rooted in bias. And in many cases, gender stereotypes are creating disconnects and negatively impacting financial well-being.

Genetic makeup will always play a role in how we act and how we make decisions. Gender differences are an important underlying factor, but when they become the conclusions, then we overlook the fact that men and women share a number of fundamental similarities as investors — and we forget that people are first and foremost individuals, not types.

THIS ISN'T ABOUT INVESTING DIFFERENTLY. THIS IS ABOUT WANTING THE RIGHT FINANCIAL EXPERIENCE

State Street Global Advisors conducted a comprehensive study of women's experiences with the investment industry. While the goal was to better understand how women invest, we also uncovered some interesting insights that confront conventional wisdom, along with five key insights that can help women with their own financial decisions.

There is no one-size-fits-all solution for such a large and diverse group. Each individual's life journey shapes their financial needs and preferences, while gender often presents unique challenges that impact a woman's ability to build and preserve wealth. That includes gaps in working years to care for family, a longer life expectancy and higher health care costs.

Take retirement, for example. Women must weave longevity, work patterns and financial commitments into their planning strategies, not just mitigate risks related to health care, investment horizon and inflation.

Yes, performance matters. But how a female investor achieves her bottom line matters more. Our research shows that decisions are intrinsically linked to her financial goals and priorities, and are often values-based. Women can teach the investment industry a thing or two. In many ways, they are model investors who:

- Invest with a higher purpose
- Have an objective view of their investing abilities
- Are risk-aware and avoid impulsive decisions
- Stay on target to meet long-term goals

As women continue to accumulate more assets, gain more experience with investment decisions, and more closely align investment risk with financial goals, misperceptions will ultimately become a thing of the past. Building on the female investor's individual strengths, the five healthy habits on the following pages improve the investing experience for women, helping to reach their full investing potential.

5 HEALTHY HABITS FOR INVESTING

1 Know that you don't need to be an expert to hire an expert.

A financial advisor can be a trusted partner in establishing and achieving financial goals. The right partner will help steer the investment decision process and act as a sounding board. Your job is not to become an investment expert — your job is to find an expert who will focus on your definition of personalized performance.

Investors who don't see the need for an advisor or think it would be too expensive may not be fully aware of the potential value of advice. A Morningstar study showed that the use of a financial advisor has the potential to boost financial returns.⁴ Other research suggests that investors who are more likely to work with a financial professional on a comprehensive financial plan are significantly more likely to feel more confident when it comes to managing personal finances.⁵

The right advisor can guide female investors across a range of financial issues. That can mean avoiding costly mistakes that are difficult to recoup down the road. Savvy investors understand that the power of compounding returns is just as important when it comes to avoiding losses as it is with making gains.



Source: State Street Global Advisors study, "Assessing the Landscape: Female Investors and Financial Advice," 2015. 250 financial advisors and 100 individual female investors were surveyed nationally.

BUT in reality working with an advisor may help investors achieve...

- 
- An increase in returns over time
 - Boost in confidence

Source: David Blanchett and Paul Kaplan, "Alpha, Beta, and Now... Gamma," Morningstar, 2013.

Five Healthy Habits for Female Investors

“

I don't need my advisor to tell me how smart he is. I need my advisor to give me confidence in my own abilities.”

—Female investor

Even though I'm trusting my money to my advisor, I still want to feel ultimately in control.”

—Female investor

“

I spend time reading the information provided, and I get my questions lined up: Why this investment as opposed to something else?”

—Female investor

I want to be confident in my decisions, because it's my money. I've worked hard for it.”

—Female investor

2 Ask for what you need and want.

Your advisor needs to understand what you need, in order to help you achieve it. Be direct about the kind of relationship you want to establish, your current situation, long-term goals, and any other priorities in your life. To get the most value from hiring an advisor, find one who is not only qualified, but who actively listens and collaborates with you to develop a customized plan. A relationship with an advisor is about more than just making a return on your investments. It's also about protecting assets.

The ideal relationship will be focused on establishing your goals and progressing toward them. That should include a clear and structured process for making investment decisions and full transparency of all services and costs.

3 Stay engaged and informed.

Financial knowledge is the key to independence. Women appreciate that understanding the “why” is just as important as knowing the “what.” Take advantage of educational opportunities and be comfortable talking openly about how money affects your life.

Becoming a more informed investor can lead to a better investing experience overall. In fact, research shows that the most financially knowledgeable investors earned 1.3% more in annual returns in their defined contribution retirement plans than their less informed peers, even after adjusting for the amount of risk that they took.⁶

Take an active role in your financial life. Communicate your views with your advisor and voice your questions on investment products (for example, “Why should I buy an exchange-traded fund?”) as well as investment concepts (such as, “How can I lower my overall risk with a mix of investments?”). Finding your financial confidence is a journey, not a single step. Take the time to understand your beliefs about money and learn the fundamentals of financial planning; it will help you gain confidence in your financial know-how.



Five Healthy Habits for Female Investors

4 Avoid second-guessing yourself.

The experience gap in finance is not a capabilities gap. Women are more likely to see skill as understanding how the markets work, having more information about investment options, or knowing how to balance risk. And they tend to consider all aspects and views before making a decision, without being impulsive or overconfident. Having a realistic self-assessment is a good thing.

All investors should seek to be informed and feel confident before making a financial decision. The goal should be *enough* information to satisfy this — ruminating over complex decisions is not productive. Focus on the decision at hand and then move on to the next task. A financial advisor can help by structuring the decision process, so that you can avoid second-guessing. Experience is also an advantage here; the more decisions an investor makes, the more confident and empowered she can become in the decision-making process.

50% of female investors second-guess their decisions when they feel they don't have enough information or when they feel pressured to make a decision.

Source: State Street Global Advisors' Women and Investing Omnibus Survey, April 2015.

Satisficing The Key to Happier Decision-Makers

Uncertainty about the future means that it is impossible to always make a fully informed or rational decision.[^]

By aiming for a decision that will *satisfy* and *suffice*, we seek the solution that is most likely to make us happy. Focus on the concept of *satisficing* investment choices to avoid excess rumination and regret.

- Structure the process around the decision to be made and the information available
- Frame performance discussions in terms of expected return per unit of risk
- Focus on choosing the course of action that is most likely to meet the aspiration level
- Decision is made; move on to other productive efforts

[^] Herbert Simon's work on complex systems and decision-making — for a brief profile, see *The Economist*, accessed at <https://economist.com/news/2009/03/20/herbert-simon>.

Retirement Readiness

Female investors have every reason to think long term. Longer life expectancy combined with a focus on goals naturally aligns with retirement planning. But women often have some ground to make up, and it appears that the income gap is only one of the factors here. For example, the retirement savings shortfall (or the gap between the amount saved and the amount that's likely needed for retirement) for single women is roughly twice as high as the gap for single men — despite the fact that women and men have similar retirement contribution rates.*

What's behind this savings gap? Both work history (fewer active working years plus lower income levels) and investing behaviors (lower returns) contribute to the difference.

The time to retirement and willingness to accept some additional risk in search of higher returns are important factors in determining the right investment mix. A financial advisor can help identify investment strategies that suit the individual's retirement goal and comfort level with risk.

* Source: Employee Benefits Research Institute, "How Retirement Readiness Varies by Gender and Family Status: A Retirement Savings Shortfall Assessment of Gen Xers," EBRI Issue Brief, January 2019.

5 Align your mindset with your investment strategy.

If your long-term goals depend on strong growth, your portfolio should reflect this. An investment that doesn't fluctuate much isn't necessarily a "safe" investment. For example, cash investors may even suffer real losses when returns are lower than expected inflation. There really is no risk-free way to invest; even a portfolio with no investment risk carries the risk of not achieving your goals. The key is to be risk-aware.

Women leverage both emotion and reason in a way that links their financial life goals with investment decisions, allowing them to achieve suitable risk levels and meet their long-term goals. Adopting a structured process can help you reach your desired outcomes efficiently.

“

It's easier to think through before you make the decision than to make the decision and say, 'I shouldn't have done that; I should have done this instead.'"

—Female investor

Women tend to take a bigger picture view when it comes to finances, factoring in both the emotional and business aspects of the decision"

—Eleanor Blayney, CFP,
special advisor on Gender Diversity for the CFP Board Center for Financial Planning

¹ BMO Wealth Institute, The Financial Concerns of Women, 2015.

² State Street Global Advisors' survey, "Assessing the Landscape: Female Investors and Financial Advice," 2015.

³ Greenfield Online for Arnold's Women's Insight Team, 2015.

⁴ David Blanchett and Paul Kaplan, "Alpha, Beta, and Now... Gamma," Morningstar, 2013.

⁵ Certified Financial Planner Board of Standards, Inc., and the Consumer Federation of America, "Financial Planning Profiles of American Households: The 2013 Household Financial Planning Survey and Index — September 2013." Available at <http://cfp.net/docs/public-policy/2013-fin-planning-profilesof-amer-households.pdf>. The survey was conducted by Princeton Survey Research Associates April 12–24, 2013. Sample consisted of a nationally representative sample of 1,002 adults who make the financial decisions for their household.

⁶ Robert Clark, Annamaria Lusardi, and Olivia Mitchell, Financial Knowledge and 401(k) Investment Performance, National Bureau of Economic Research, 2014.

About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third largest asset manager with US \$2.5 trillion* under our care.

*AUM reflects approximately \$32.4 billion (as of December 31, 2018), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; State Street Global Advisors FD and State Street Global Advisors are affiliated.

Survey Methodology: Assessing the Landscape — Female Investors and Financial Advice

In 2015, 250 financial advisors and 1,000 individual female investors nationally participated in State Street Global Advisors' Assessing the Landscape online survey. To further contextualize our learnings, we conducted an omnibus survey with 946 adults, and qualitative research with 18 subject matter experts and 6 female investors, all located in the United States.

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Five Healthy Habits of the Informed Investor

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