

What's standing in the way of advisors seeking to connect with female investors?

The culprit may be within the industry itself.

MYTHBUSTERS

Revealing the Truth About Women and Investing

Misperceptions about how women approach investing make it difficult for advisors to engage them. Perpetuating these misperceptions is also hazardous to women's wealth.

To better serve female investors, we must understand the real factors that underline investor behavior.

Revealing the Truth About Women and Investing

The significant and growing influence that women have over household investments is undermined by the fact that so many feel misunderstood by the investment industry.

This disconnect is costing investors who could benefit from partnering with an advisor, and it's blocking advisors from successfully engaging female investors.

According to our study, "Assessing the Landscape: Female Investors and Financial Advisors," misperceptions are to blame. To make real progress, we must challenge outdated assumptions and break free of stereotypes.

Our research uncovers seven myths about women and investing that must be shattered so that we can see the female investor for who she really is — a multidimensional individual striving to make fully informed decisions in order to meet her long-term financial goals.

Only
39% of female investors
feel understood by the
investment industry.

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

Revealing the Truth About Women and Investing

MYTH 1

Investment Decisions are Mostly Made by Men

As women's responsibility for household income has increased, so has their authority over saving and investing. As of this year (2020), it is estimated that women will control \$22 trillion of wealth in the US¹ – and almost 60% today are solely responsible for making investment decisions.² The global wealth of women is expected to grow from \$13 trillion to \$18 trillion by 2021 – more than the GDP growth of China and India combined in that time³ – and the vast majority of new income growth over the next decade will come from women – globally, women are the biggest emerging market ever seen.⁴ Despite their growing financial prowess, women are still overlooked at times by advisors who presume that they are not involved in investment decisions. It's time for the industry to catch up to female investors.

"I have an exceedingly bright, accomplished 71-year-old female client who worked very hard for her earnings. All of the male advisors she met with assumed her money came from a divorce or an inheritance. It was an immediate turn-off."

— Cheryl Costa, CFP, *principal, Woodside Wealth Management*

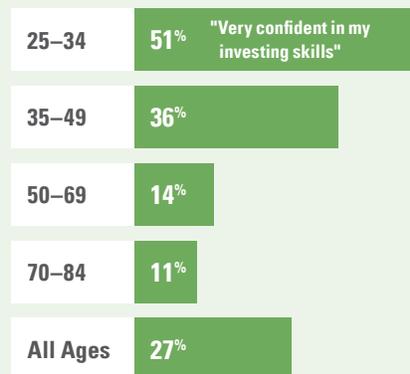
MYTH 2

Female Investors Lack Confidence

As they continue to expand their role as the family's chief investment officer, many women are becoming more experienced investors. The broad generalization of women lacking confidence as investors simply doesn't apply. Younger women, for example, tend to be more confident in their own investing skills. Age and experience with investing are just two factors that may impact an individual's confidence in their own investing skills.

"Past experience can either erode or build confidence. It's important for a financial advisor to learn about the client and those past experiences, which may help them better predict their confidence level and how they will approach making a decision."

— Marianne Legato, M.D., FACP, PC, *founder and director, Foundation for Gender-Specific Medicine at Columbia University*



Q: How confident are you in your investing skills?
Source: State Street Global Advisors' Survey, "Assessing the Landscape: Female Investors and Financial Advisors," 2015.

MYTH 3

Female Investors are Indecisive

When a female investor takes more time to make an investment decision, she is not necessarily being indecisive. Her comprehensive decision process typically involves looking at issues from multiple angles, considering various sources of information and carefully weighing the options. It is a holistic approach to a complex, multifaceted decision. This may seem indecisive, especially if compared with an overconfident investor who is more impulsive or trades more frequently, but it simply means that she is motivated to make well-informed decisions.

"Women tend to want a lot of information before they make a decision, more so than men. I think because they want lots of information they can appear indecisive. If women are having trouble making decisions, it's likely not the women but the advisors who are at fault."

— Karen C. Altfest, Ph.D. CFP, *principal advisor, executive vice president of client relations, Altfest Personal Wealth Management*

Help Informed Investors Structure the Decision Process to Avoid Regret

Do their homework, gather facts and opinions

MYTH 4

Female Investors Prefer to Work With Female Advisors

Advisors should know that they don't need to be a woman to advise women — nine out of 10 female investors believe that gender doesn't matter in hiring an advisor.⁵ However, female investors with a female advisor tend to be more confident in their own investing skills and have higher satisfaction rates, which may point to more patience and active listening on the part of female advisors. Whether male or female, advisors with higher gender intelligence have more successful relationships with all of their investors.

"The statement that women want women advisors is just not borne out by the data. First and foremost, they want trustworthy advisors."

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

MYTH 5

"I Need More Time" Really Means "No"

When a female investor says "I need more time," this is exactly what she means — most of the time. Advisors, on the other hand, think this is often her way of saying "No." The female investor seeks sufficient information and time to process the decision, which allows her to own the decision and avoid regret. Over time, this helps her gain confidence. It also means that she will be less likely to blame her advisor if things don't turn out the way she intended.

"Give me time. But if you push me and ask me again, it will be no. So let me think about it. Respect my wishes."

— *Female investor*

When More Time is Requested to Make a Decision, What is Her Reason?

Needs more time to decide or conduct research



Not comfortable saying "no"



Q: Advisors: Thinking about female investors, if they tell you they need more time to make a decision what percent of the time is it because she... Investors: When you tell someone that you need more time to make a decision, what percent of the time is it because she...

Source: State Street Global Advisors' Survey, "Assessing the Landscape: Female Investors and Financial Advisors," 2015.

MYTH 6

Emotion Should Remain Separate From Investing

No decision is ever detached from emotion. An investor's experiences, current situation and expectations for the future influence each investment decision. This is not a bad thing; there is a role for intuition and emotion in the decision-making process. Advisors can help investors balance emotion with more objective information. The emotional component also presents an opportunity for advisors to deepen their client relationships. The key is in connecting investments with what they represent for the investor — security and independence.

"Past research has already established that emotion is not something you can separate from cognition or thinking. It's an integral part of the process."

— Peter Sokol-Hessner, Ph.D., *director, The Sokol-Hessner Labs*

Draw their own conclusion

Feel in control

MYTH 7

Female Investors are a Lucrative Market Niche

Women are still underserved in terms of their needs for financial advice, but it's clear that this is not a niche segment. By definition, "niche" does not describe this majority investor population. More importantly, no two investors are alike. Our own research found significant differences among women's financial goals and attitudes toward investing, risk tolerance, financial literacy, confidence in investing skills and what they seek from a financial advisor.

"While it is possible to make generalizations about age groups and genders, the industry really needs to start taking a more individualized approach — particularly when it comes to women. This is 51% of the population. It's a very nuanced group."

— Kathleen Burns Kingsbury, *wealth psychology expert, founder of KBK Wealth Connection*

A MORE LEVEL PLAYING FIELD

Real progress in understanding and meeting the needs of female investors will start with defusing these myths at both the conscious and unconscious levels. For several of the myths we defined, such as a lack of confidence and indecisiveness, there is a danger that they can be self-perpetuating and even undermine investment performance.

After peeling away these myths, we find an individual who seeks to make optimal investment decisions for the long-term financial well-being of herself and her family. We see the female investor as the "Informed Investor" because of the way in which she seeks information and processes investment decisions. Advisors who appreciate the role that gender intelligence plays in relating to the Informed Investor will be better able to partner with her and help guide her decision-making process.

Just as the old stereotypes don't apply, we must also be diligent in preventing new stereotypes from taking hold. Each investor is an individual, with unique experiences, needs and expectations.

Methodology

250 financial advisors and 1,000 individual female investors 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 19 subject matter experts and 6 female investors.

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

² State Street Global Advisors' *Women and Investing Omnibus Survey*, April 2015.

³ EY, *Harnessing the power of women investors in wealth management*, 2016, page 1, Nalika Nanayakkara, Rashmi Singh, Gregory Smith.

⁴ Harvard Business Review, *Why Women Are The Biggest Emerging Market*, Sylvia Ann Hewlett, 2010.

⁵ State Street Global Advisors' *Women and Investing Omnibus Survey*, April 2015.

Avoid regret

Increased confidence, more effective decision making, and advisor satisfaction

Revealing the Truth About Women and Investing

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