

A woman with grey hair, wearing a white shirt, a bright green apron, and dark blue rubber boots, is watering a lush garden. She is holding a grey watering can and pouring water onto a tomato plant. The garden is filled with various green plants, including tomatoes and leafy greens. A woven basket filled with vegetables is visible on the ground. The background is a dense wall of green foliage.

# WOMEN INVEST

Adapt your practice to unlock your  
relationship-building potential with female clients



**WOMEN  
ARE  
ENJOYING  
A FINANCIAL  
HEYDAY.**



Thanks to rising education levels, unprecedented workforce participation and escalating income and wealth, the female population has assumed more powerful roles in financial decision making.

Despite women's increased roles as financial decision-makers, many financial services firms have overlooked them as ideal clients. Instead, working with women has been considered a niche focus and not an essential key to a thriving financial firm.

More than half of the population is female.<sup>1</sup> Women now account for more than 50 percent of undergraduates and graduates in the U.S.,<sup>2</sup> and they currently make up 47 percent of the U.S. workforce.<sup>3</sup> Average incomes for women increased by 30 percent from 1979 to 2014.<sup>4</sup> Studies show that 44 percent of women now out-earn their spouses, while 27 percent of married women say they have taken charge of financial and retirement planning for their households.<sup>5</sup>

Yet many financial professionals don't address the unique financial concerns and challenges women face. Now, more than ever, there is a tremendous opportunity for the financial community to respond to the realities of women and financial planning and help overcome these challenges. By acknowledging the growing economic power of women and recognizing their distinct financial planning needs, you can tap into an enormous opportunity. However, you may need to enhance your skills and adapt your approach to establish trust and gain the loyalty of female clients.

## NUMBERS SPEAK

- 50% of women surveyed say they are primary decision-makers in their households.<sup>6</sup>
- 11.6 million firms are owned by women.<sup>7</sup>
- 90% of all women will eventually be solely in charge of household finances.<sup>8</sup>
- 72% of women are satisfied with the service from their advisor.<sup>9</sup>
- 20% of women feel very well prepared to make wise financial decisions.<sup>10</sup>

# WHY WOMEN ARE KEY INVESTORS AND A SEGMENT NOT TO BE IGNORED

Women currently control 51 percent of personal wealth in the U.S. and are expected to control \$22 trillion by 2020.<sup>11</sup> However, despite this wealth, many women still do not feel very prepared to make financial decisions. Unique concerns and priorities like managing household expenses, not becoming a financial burden to loved ones, securing long-term health care for retirement and funding their children's college tuition exemplify the need for financial planning.<sup>12</sup>

For financial professionals, a focus on women can result in a solid client base. In general, women are loyal, very satisfied with their advisor relationships and willing to provide referrals. Here's a look at why women are ideal clients for your practice:

## **Women are financial decision makers.**

Many women will spend at least part of their lives on their own, requiring them to take full responsibility for their finances. As part of the family unit, women have taken an increasingly active role in determining how their families save, spend, invest and plan for the future.

## **Women control increasing amounts of wealth.**

Women are working and earning more than ever before. And because women tend to live long lives, they have a better-than-average chance of inheriting assets or a business at some point.

## **Women approach financial planning differently.**

Both men and women want financial professionals to provide good performance and make the effort to understand their goals. However, achieving financial independence is often more important than accumulating wealth for many women. As a result, women will look for financial professionals who truly listen to their concerns. They will often conduct thorough research before choosing a course of action, including consulting with a pool of professionals. Above all, women value good communication and service, focusing on finding a financial professional they can trust.

## **Women are more loyal clients.**

Because they have spent time developing relationships with financial professionals they trust, women tend to stay with financial professionals for longer periods of time. They are also more likely to make referrals and are less likely to migrate away from personal-service advice to online investing.



## DAVID BACH,

nine-time New York Times best-selling author of the **"Finish Rich"** series including **"Smart Women Finish Rich,"** and co-founder of AE Wealth Management, believes women are ideal clients:

- Women are usually much more driven toward maintaining a long-term focus than men.
- Women generally have an extensive network of friends, they often give out more referrals than men.
- Women tend to be very loyal to their financial advisors.
- In most households, women control the majority of the assets.







# RETIREMENT INCOME CHALLENGES FOR WOMEN

Despite their increased involvement in financial decision making, women continue to face greater challenges than men when it comes to retiring with lifetime financial independence.

Women's confidence has not kept pace with their economic growth and influence despite the growing business impact on this market. The retirement income challenges women face can seem quite daunting:

### **Women continue to earn less.**

Despite their increased presence in the workforce, the average woman working full time earns 82 percent of the income earned by her male counterpart.<sup>13</sup> This gap also holds true for lifetime earnings and is exacerbated when a woman alters her role in the workforce to prioritize caretaking duties. Women's Social Security benefits also tend to be lower since they are based on career earnings. Further, when women take time off from the workforce, they limit their opportunity to participate in a workplace retirement plan.

### **Women are living longer.**

On average, women outlive men by five years.<sup>14</sup> While this allows women to enjoy an extended retirement, it also creates a larger need for savings that generate retirement income for a greater number of years. Their longer lifespan also means that women generally face higher health care costs than men during their retirement years.

**In fact, women need to save \$140,000 by age 65 to have a 90 percent chance of covering health care expenses during their lifetimes, compared to \$124,000 for men.<sup>15</sup>**

### **Women are more likely to be single later in life.**

Due to changes in marriage patterns and their increased average lifespans, women are much less likely than men to be married when they reach their retirement years.<sup>16</sup> For those 65 and older, 70 percent of men are married, compared to just 45 percent of women.<sup>17</sup> Divorced and single women are unable to capitalize on the resource pooling and economies of scale that accompany a marriage or partnership. Widowhood also causes security challenges, as household income often drops more significantly than household expenses when a spouse dies. Today, over one-third of women age 65 or older are widows.<sup>18</sup>

### **Women are time-starved.**

Women hold a variety of roles, including those of workers, wives, mothers and daughters. On average, women in the U.S. spend 28 hours each week on unpaid work – 62 percent more than the average for men.<sup>19</sup> While women have always assumed a disproportionate amount of time on parenting duties, other caretaking responsibilities are having the same effect. One study found that one-third of female baby boomers currently care for an elderly parent, ranging from eight to 30 hours per week.<sup>20</sup>

### **Women carry more debt.**

They may be earning more, but women are also borrowing more. For example, 29 percent of women now graduate with excessive student loan debt equaling 10 percent or more of their monthly gross income, compared to 24 percent of men.<sup>21</sup> More women are reaching their pre-retirement years in debt; recently published research found that women ages 57 to 61 held nearly eight times the amount of debt in 2010 as women of the same age just 12 years earlier.<sup>22</sup>





## **Financial Topics Women Most Want to Learn About:<sup>23</sup>**

- 1. How to have my  
desired lifestyle in  
retirement (85%)**
- 2. How to guarantee  
income for life (85%)**
- 3. How to invest / plan  
for retirement on a  
modest income (75%)**



# ADAPTING YOUR APPROACH FOR FEMALE CLIENTS

The fact is, women now control substantial assets, and they often look at financial matters – and relate to financial professionals – differently than men. By acknowledging the growing economic power of women, and their distinct financial planning needs, you can tap into an enormous opportunity. Here are some ways you may need to enhance your skills and adapt your approach to establish trust and gain the loyalty of women investors.

## **Recognize women as equal partners.**

With more and more women having primary or shared financial decision-making responsibilities with their partners, make sure that both male and female clients are treated as such, even if you are initially approached by one partner. Make sure you speak with each member of the partnership equally. Women expect and deserve direct eye contact and directed questions. They are particularly attuned to whether their questions are being answered, so make sure you respond in a clear and comprehensive manner, without rushing or short-cutting financial explanations.

It's important to keep in mind that women approach financial planning as a tool for providing a sense of confidence to themselves and their families. They place a very high value on clear, two-way communication and expect their financial professionals to listen to understand the life and family issues that drive their financial planning decisions.

## **Remember that couples count ... a lot.**

The way couples relate to each other is changing. It is no longer as common for one partner to take the lead and make the decisions. Instead, today's couples are more likely to take a collaborative approach to financial planning, relying on each other, friends and family, or the internet for financial support. Studies show that 62 percent of women don't have a financial professional; among those who do, over 69 percent do not view their financial professional as a go-to source for information on how to spend, save and invest.<sup>26</sup>

When meeting with couples, it's important to identify financial roles and responsibilities in the partnership. Who pays the bills? Who is the saver or the spender? Who chooses investment strategies? If they share responsibilities, ask them how they communicate about financial issues and how they resolve problems that arise.

It's critical to encourage open dialogue between partners or spouses. Ask them to talk to each other about their financial goals before and between appointments. Present opportunities during meetings for each partner to share his or her personal priorities and dreams openly and honestly, and direct equal attention to both individuals. While couples will never agree on everything, laying everything out on the table helps you build a plan that addresses the particular goals and concerns of both spouses.

## **Communicate clearly, and drop the jargon.**

Good communication and responsiveness are critical to winning the hearts and minds of female clients. Because women connect so strongly with the emotional impacts of money, financial professionals must learn to go beyond

## **Percentage of Women for Whom a Financial Professional Is a Go-To Source:<sup>24</sup>**

**Single (30%)**

**Married (31%)**

**Divorced (31%)**

**Widowed (45%)**

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## **4 Things Women Want from a Financial Professional:<sup>25</sup>**

- 1. Listen**
- 2. Be open and honest**
- 3. Respond in a timely manner**
- 4. Speak clearly**

the numbers-only financial discussions to create meaningful personal connections.

The key to great communication with women is to talk less and listen more. Communication strategies such as demonstrating your product expertise are less successful with women. In fact, women are more likely to want financial professionals to ask them about their hopes and concerns than to tell them about their credentials.

All of us are more likely to connect to information that is clear, easy-to-understand and relatable. It's tempting to fall back on jargon or statistics when talking to both male and female clients. However, most clients aren't interested in numbers alone. Women, especially, want to know how financial strategies will affect their lives and those of their families. Real-life examples showing the impact of financial decisions will resonate more with women than analytical charts and graphics alone.

### **Understand that life events drive investment choices.**

Women view financial planning not as an end to itself, but as a tool for reaching life and family goals. As a result, women expect their financial professionals to understand their unique lives and family situations. Only 42 percent of women believe that only performance matters when investing. In fact, they want an advisor who understands their life maps and the goals they entail.<sup>27</sup> Discussions with women about their loved ones, their values and their hopes for the future are not just small talk – they are the critical first step in building a financial plan.



You can maximize the value of these early discussions by helping your female clients understand the key lifestyle events that could affect their financial strategies – marriage, divorce, aging parents, children, widowhood and career turning points. Spend time on issues that are unique to women: the likelihood that they will outlive their spouses, may have to take care of ailing family members or may take time out from working to raise children.

### **Focus on financial confidence.**

The financial services industry often emphasizes wealth management or wealth accumulation as a primary goal. However, achieving financial confidence is often more important than accumulating wealth for women, who tend to see financial planning as a way to protect themselves against the unexpected.

To help female clients work toward financial confidence, it's important to identify risks and how those risks will be mitigated. Be honest about potential risks in any strategy you recommend, but also make sure clients understand financial strategies that are being put in place to address unexpected emergencies or life events that arise.

Many women want to be actively involved in their own financial planning and money management. Assure your clients that you are there to help and act as a resource, so they can feel confident in the strategies that have been laid out.

### **Inform, empower and engage.**

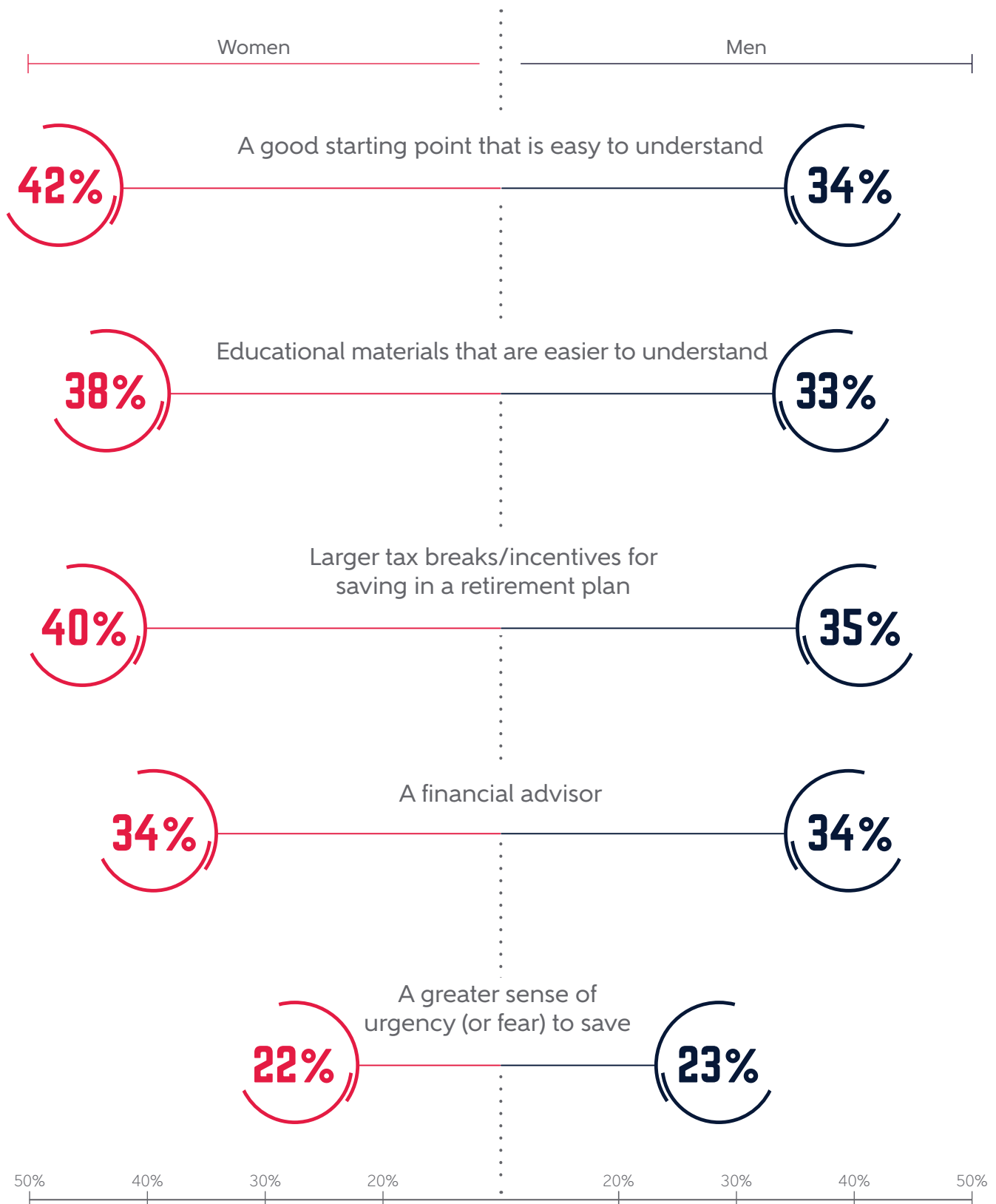
Many women recognize they need more information and education to become fully involved in financial planning. Approximately 57 percent of women would like informational materials that are easier to understand or a good starting point that is easy to understand.<sup>28</sup>

Advisors can help female clients feel more confident about making prudent financial decisions by providing information tailored to their needs. Every discussion with clients is an opportunity to inform about financial needs, strategies and solutions.

Women investors like to confirm and expand on what they have learned by exploring a variety of sources, including the internet, financial newsletters, magazines, newspapers and online forums. By providing a list of specific research resources, advisors can help clients gain greater comfort to make decisions. Make information on basics readily available, either through your website or with a library at your office.

Many women thrive in collaborative group environments. Suggest or offer money clubs (like book clubs) where women can meet regularly to talk about money. Seminars – such as **Smart Women Smart Retirement™** by nine-time New York Times best-selling author and co-founder of AE Wealth Management David Bach – are a great way to inform and collaborate with female clients.

## Motivations to Learn More About Retirement Savings<sup>29</sup>





## **It's time to see women as a growth opportunity.**

Women have emerged as a remarkable opportunity for financial professionals. While women are often more deliberate and may take more time making financial decisions, female clients invariably offer significant rewards in terms of productive, lasting working relationships. When you engage women on a personal and professional level, they often respond by providing a higher number of referrals and long-term loyalty.

Success in serving female clients requires a nuanced understanding of their needs and a willingness to approach the financial planning process in a way that works for them. Effective communication focusing on financial confidence and serving as a trusted resource will assist you in establishing solid relationships with your female clients.



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