



## SERVING THE FEMALE INVESTOR

It is estimated that by 2030, women will control two thirds of the nation's wealth.<sup>1</sup> Female investors represent an undeniable wave of potential economic power that the financial services sector, particularly financial advisors, will need to address to ensure the continued growth and success of their businesses.

Effectively serving the female investor requires an intentional approach to understanding their unique needs, goals, and attitudes about investing. While investment elections may not differ, women, in general, tend to have different investment styles than men.<sup>2</sup> In many cases, these divergent styles can be attributed to different long-term goals and sets of values. BlackRock's 2016 Global Investor Pulse Survey showed that 28% of women surveyed were focused on growing their wealth, while 35% of men said the same.<sup>3</sup>

The survey further noted that

- "Men are more likely than women to say 'I consider myself an investor' (40% vs. 22%).
- [Men] are more likely to hold stocks than women and have less of their assets in low-return cash (60% of the portfolio for men vs. 71% for women).
- Men also are more likely to say that they enjoy managing their investments (46% vs. 26%).
- When asked how the idea of investing makes them feel, men are more likely than women to associate words like 'hopeful' and 'optimistic,' while women most associated 'nervous' and 'risky.'"<sup>3</sup>

However, a Berkeley study points out that this risk-averse behavior should not be considered an obstacle, showing that the risk-averse tendencies of many female investors can actually yield greater returns than the more aggressive and frequent trading maneuvers men are prone to engage in.<sup>4</sup> In other words, there is more than one way to success.

Some research suggests that many women tend to refrain from discussing their finances with others, which includes a reluctance to work with a financial professional. A lack of confidence born from a sense of inadequate knowledge is the key factor in these attitudes.<sup>5</sup> Put simply, women tend to be cautious, thoughtful, and engaged. They also care about how people view them. The emergence of significant financial independence for women is relatively new and as such, there can be a reticence in some women to jump into the investment arena too quickly. This is where a relationship with an experienced and caring financial advisor is invaluable.

Financial institutions and advisors have an opportunity to help change misconceptions and increase the financial confidence of female clients. They can do so by helping them make investing and money management a part of their financial independence.

Jodie Smith, Financial Advisor from Shell Retirement, Trust & Investment Services said, "I would be inclined to say that they (women) place value first in the relationship of trust and respect they have for the person making (an investment) recommendation than the actual investment itself. They tend to see the long-term vision and want peace of mind that they are going to be able to meet their goals."

She further stated that "it is very important that my clients have a good understanding of what [I as an advisor am] recommending and also the 'why' behind it. Once we have made the investment decisions and are getting together periodically to review their accounts, I make sure to revisit the investments and remind them of how it works, why we invested in it and how it is working for their financial future." Once a client is confident in their abilities, it makes subsequent interactions more productive and comfortable.

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It is important not to overgeneralize and put excessive stock in the idea that women are more private and reticent when it comes to their financial situation. BlackRock offers evidence that the tendency to reticence on the part of the female investor may be shifting as more women become comfortable with investing and reaching out for help. Female survey participants were "more likely than men to ask for advice for their investment and savings decision-making (64% vs. 55%) and more likely to say they value professional advice (74% vs. 64%)".<sup>3</sup> This represents a potential trend that is good news for the advisor, and provides yet another reason for financial institutions to effectively position and promote their wealth management services. The financial institution that can offer accurate information and sound counsel that reduces the complexity of investing is at a decided advantage in appealing to the growing numbers of female investors.

<sup>5</sup>GIRLFINANCE.COM, WWW.GIRLFINANCE.COM/WOMEN-AND-FINANCE-FACTS/

<sup>4</sup>4 REASONS WOMEN SHOULD CONSIDER HIRING A FINANCIAL ADVISOR, MONEY.USNEWS.COM/INVESTING/ARTICLES/2016-08-02/4-REASONS-WOMEN-SHOULD-CONSIDER-HIRING-A-FINANCIAL-ADVISOR

<sup>3</sup>BLACKROCK ANNUAL GLOBAL INVESTOR PULSE SURVEY, 2016, WWW.BLACKROCK.COM/CORPORATE/EN-US/NEWSROOM/PRESS-RELEASES/ARTICLE/CORPORATE-ONE/PRESS-RELEASES/BLACKROCK-GENDER-FINDINGS-SURVEY\_US

<sup>6</sup>BOYS WILL BE BOYS: GENDER, OVERCONFIDENCE, AND COMMON STOCK INVESTMENT, FACULTY.HAAS.BERKELEY.EDU/ODEAN/PAPERS/GENDER/BOYSWILLBEBOYS.PDF

<sup>7</sup>FIDELITY INVESTMENTS: MONEY FIT WOMEN STUDY: EXECUTIVE SUMMARY, WWW.FIDELITY.COM/BIN-PUBLIC/060\_WWW\_FIDELITY\_COM/DOCUMENTS/WOMEN-FIT-MONEY-STUDY.PDF

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