

Women and wealth
The case for a
customized approach





Executive summary

Around the world, women's wealth and income are growing faster than ever. Powerful demographic, economic and technological changes are increasing women's financial strength and independence. Recent research suggests that women may soon control the majority of US household wealth.¹

This power, and the relative complexity of their financial lives, means that women represent a huge opportunity for the wealth management industry. Yet most wealth managers view gender segmentation as being of minor importance. It is hardly surprising that many female investors feel unwelcomed and even alienated by the investment industry.

This paper aims to help wealth managers bridge this gulf. It builds on EY's latest global wealth management research, focused on client experiences.² In the survey, we find a number of important differences between female and male wealth management clients. The most important include:

- ▶ **Performance:** Unlike men, women view achieving their personal goals as more important than investment performance. Women are more likely than men to switch between wealth management providers, and do so for different reasons.
- ▶ **Experience:** Women have distinctive preferences in many areas of client experience. These include more emphasis on security, accuracy and privacy; greater appreciation of high-quality human interactions; more openness toward digital technology; and a greater willingness to share their experiences online.
- ▶ **Trust:** Women see transparency and clarity as particularly important drivers of trust. They also place more value than men on advocacy or referrals from family and friends.

To overcome "experience gaps" and build stronger relationships with female investors, we believe wealth managers should focus on seven specific areas. They are:

1. Developing a deep understanding of female investors' goals and priorities
2. Understanding local and regional variations in culture, religion and lifestyle
3. Giving advisors the skills to deliver optimal experiences to female investors
4. Striking the right human-machine balance in core advice models for female clients
5. Providing female investors with clear, substantive information and advice
6. Enabling advisors to act as "financial coaches," including for clients' families
7. Embracing digital communication, while ensuring it complements human interaction

Our research debunks conventional wisdom about women investors. However, it also shows that many wealth managers need to do much more to connect with this vital group. Firms need to prioritize the investments in technology, talent and processes that will allow them to provide female clients with tailored experiences.

Wealth managers must act fast and incorporate these changes into their customer experience improvement programs. Those that do so will gain the greatest share of the tens of billions of dollars in additional revenue that could accrue from providing women with better experiences.

¹ "Financial concerns of women," *BMO Wealth Institute*, www.bmo.com/privatebank/pdf/Q1-2015-Wealth-Institute-Report-Financial-Concerns-of-Women.pdf, accessed 21 December 2016.

² "The experience factor: the new growth engine in wealth management," *EY Global Wealth & Asset Management*, www.ey.com/gl/en/industries/financial-services/asset-management/ey-global-wealth-management-survey-2016, accessed 28 November 2016.



Introduction

Women’s economic power and financial independence are growing rapidly around the world, making them an important market for the wealth management industry.

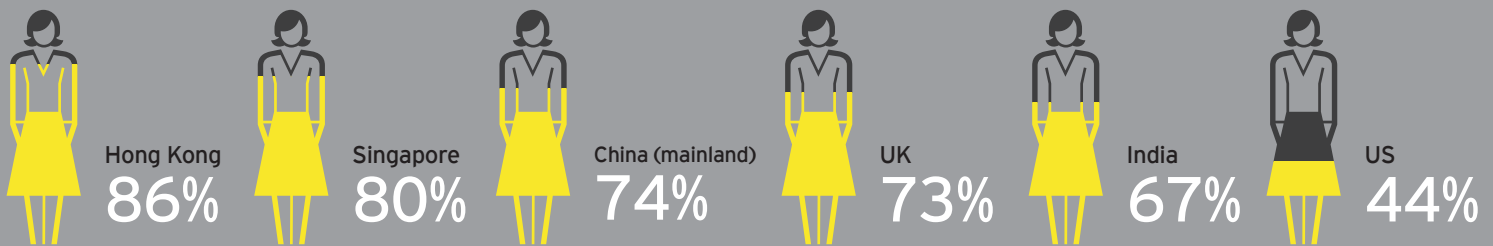
However, many women view the investment industry as male-oriented and unwelcoming. A recent study showed that women commonly use terms such as “unwelcoming,” “patronizing,” “male-dominated” and “full of jargon” to describe the wealth management industry.³ Globally, 67% of female investors feel their wealth manager or private banker misunderstands their goals or cannot empathize with their lifestyle (see Figure 1). This figure is even higher in key markets such as the UK, China (mainland), Singapore and Hong Kong.⁴

This paper builds on EY’s latest global research on the wealth management industry, which identified a potential revenue prize of US\$175b-US\$200b for firms delivering best-in-class client

experiences.⁵ Recent studies suggest that women may control as much as half of personal wealth in leading markets such as the US. Additionally, in many countries, like Japan, women manage the household balance sheet even if they are not working. This implies that providing women with better experiences could generate [up to US\$100b] of additional revenue for wealth managers.

The paper explores how the findings of our global research can be applied to women. How well are wealth managers serving women, and what could they do better? We use the data we gathered, supported by other sources, to explore the views of women investors and test conventional wisdom about them. Most importantly, we make specific recommendations to help wealth managers address “experience gaps” and better connect with this vital and fast-growing market segment.

Figure 1 - Women wealth management clients who feel advisors misunderstand them
Source: Center for Talent Innovation



³ “Best of Money: why do most women fear the stock market?” *Financial Times*, www.ft.com/content/b681b8e6-2705-11e6-8b18-91555f2f4fde, accessed 21 July 2016.

⁴ “Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth,” *Center for Talent Innovation*, www.talentinnovation.org/publication.cfm?publication=1440, accessed 1 December 2016.

⁵ “The experience factor: the new growth engine in wealth management,” *EY Global Wealth & Asset Management*, www.ey.com/gl/en/industries/financial-services/asset-management/ey-global-wealth-management-survey-2016, accessed 29 November 2016.



Female wealth – demographics and economics

Global female income and wealth are growing faster than ever before, making women an increasingly important target market for wealth managers. This is the result of several long-term changes in demographics, economics and technology.

- ▶ Female workforce participation continues to grow across the world. This reflects factors such as advances in female education, falling birth rates and the ability of digital technology to keep women in the workforce. Women now account for a large proportion of management and professional roles.
- ▶ Although women continue to earn less than men and occupy fewer top leadership positions, the income gap between women and men is closing in most leading economies. Among millennials, women are significantly closer to pay equality.⁶
- ▶ More women than ever before are pursuing higher education, increasing their future earnings power. This is not only true in developing economies, but also in the most advanced markets. In the US, women now account for more than 50% of both undergraduate and graduate program enrollments.⁷
- ▶ The transfer of pension responsibilities from governments and corporations to individuals is accelerating across the world. Women continue to outlive men, but in many markets they also retire earlier. Women therefore make up an increasingly important segment of retirement saving markets.

The impact of these factors is dramatic. Women already control \$14t of personal wealth in the US alone, 51% of the total.⁸ The CFA Institute expects the global income of women to increase from US\$13t to US\$18t in the next five years.⁹

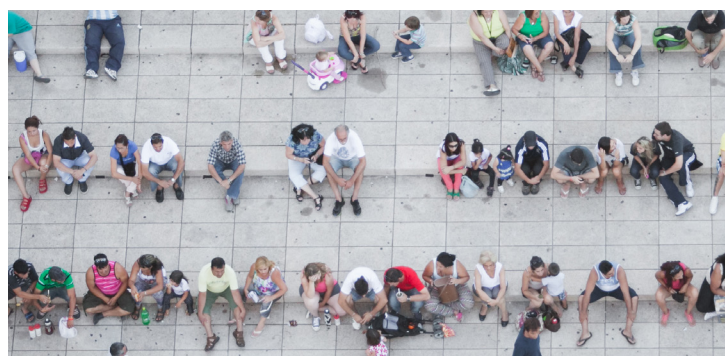
It is not only the volume of women's wealth and income that is increasing their influence in wealth management markets. Women's

financial lives are typically more complex than men's, meaning they are often more in need of financial advice. For example:

- ▶ Divorce and parenthood. Increasing divorce rates are making more women than ever before responsible for their own finances. As the leading providers of child care, female single parents also tend to have more financial responsibilities for child dependents.
- ▶ Career patterns. Reflecting their role as the leading providers of child care and elder care, women are more likely to take career breaks or have multi-phase careers as they try to reconcile their professional goals with their caring commitments.
- ▶ Widowhood. Women's longer life spans mean that they are more likely than men to suddenly take on additional financial responsibilities comparatively late in life.

In summary

Women are a fast-growing economic power in many leading and developing economies. Just as importantly, they defy simple segmentation and often have complex financial needs.



⁶ "On Pay Gap, Millennial Women Near Parity - For Now," *Pew Research Center*, www.pewsocialtrends.org/2013/12/11/on-pay-gap-millennial-women-near-parity-for-now/, accessed 5 December 2016.

⁷ "Table 105.20. Enrollment in educational institutions, by level and control of institution, enrollment level, and attendance status and sex of student: Selected years, fall 1990 through fall 2023," *National Center for Education Statistics*, www.nces.ed.gov/programs/digest/d13/tables/dt13_105.20.asp, accessed 2 December 2016.

⁸ "Financial concerns of women," *BMO Wealth Institute*, www.bmo.com/privatebank/pdf/Q1-2015-Wealth-Institute-Report-Financial-Concerns-of-Women.pdf, accessed 21 December 2016.

⁹ "Harnessing the power of women investors in wealth management," *EY*, [www.ey.com/Publication/vwLUAssets/ey-women-investors-in-wealth-management/\\$FILE/ey-women-investors-in-wealth-management.pdf](http://www.ey.com/Publication/vwLUAssets/ey-women-investors-in-wealth-management/$FILE/ey-women-investors-in-wealth-management.pdf), accessed 28 December 2016.

Demystifying women's client experiences

Wealth management firms around the world are tilting their strategic spending plans toward revenue growth.¹⁰ This typically involves a focus on improving client experiences – an area where non-financial firms are increasingly seen as setting the benchmark.

But as they develop their client agendas, are wealth managers placing enough emphasis on the needs of women? The growing economic power of women means they are being actively targeted by start-ups such as Ellevest, a digital investment platform led by Wall Street veteran Sallie Krawcheck. However, our research shows that most wealth managers see gender as the least important source of client differentiation. Just 5% of firms view gender as a key driver of segmentation, far fewer even than “other” factors (see Figure 2).



To avoid ceding ground to new entrants, established wealth managers need to fully understand women's preferences. In this section, we will review the most important differences between male and female wealth management clients. Our findings are divided into the three key areas that we believe make up a comprehensive client experience model: performance, experience and trust.

Figure 2 – Key client segmentation factors wealth manager responses
Source: EY

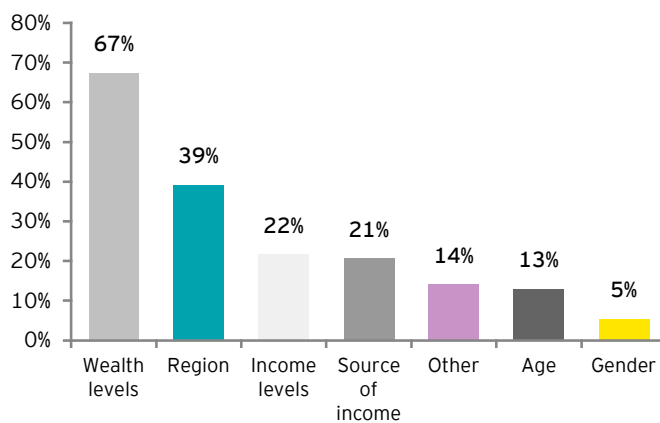
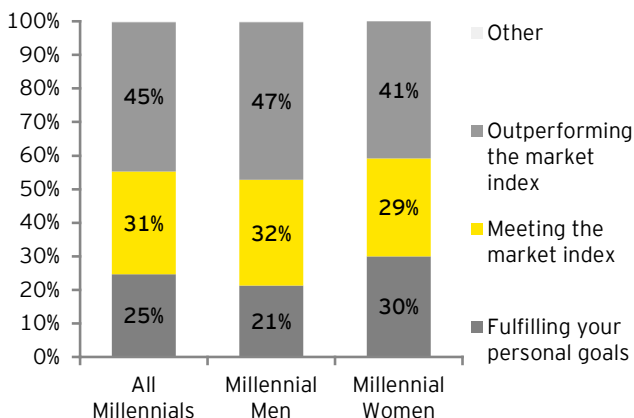


Figure 3 – Clients' overall expectations of investing
Source: EY



¹⁰ “The experience factor: the new growth engine in wealth management,” *EY Global Wealth & Asset Management*, www.ey.com/gl/en/industries/financial-services/asset-management/ey-global-wealth-management-survey-2016, accessed 28 November 2016.

¹¹ “Harnessing the power of women investors in wealth management,” *EY*, www.ey.com/Publication/vwLUAssets/ey-women-investors-in-wealth-management/SFILE/ey-women-investors-in-wealth-management.pdf, accessed 28 December 2016.

¹² “Wealth and Asset Management 2021: Preparing for Transformative Change,” *Roubini ThoughtLab*, www.econsultsolutions.com/wealth2021-section/, accessed 14 December 2016.

Performance

Women's investment **goals** differ from those of men's. Fulfilling personal goals is seen as the most important investment priority by wealthy women (40%), significantly ahead of market outperformance (31%). In contrast, male investors see pure performance as their leading objective (37%) and consider personal goals as a lesser priority (34%). The split is even more marked among younger investors, with 30% of millennial women prioritizing personal goals, compared with just 21% of millennial men (see Figure 3). This is a vital insight for wealth managers to grasp, and underpins many other gender-based preferences.

These findings are supported by recent EY research into wealth management in North America.¹¹ This suggests that firms who take the time to understand women's personal investment goals and build those aspirations into a detailed plan reap important rewards in terms of client loyalty. Personal goals can

62% of women are willing to consider switching to another wealth manager, compared with 44% of men.

be as varied as paying for child care or elder care, starting a business, funding education for children and grandchildren or achieving charitable goals.

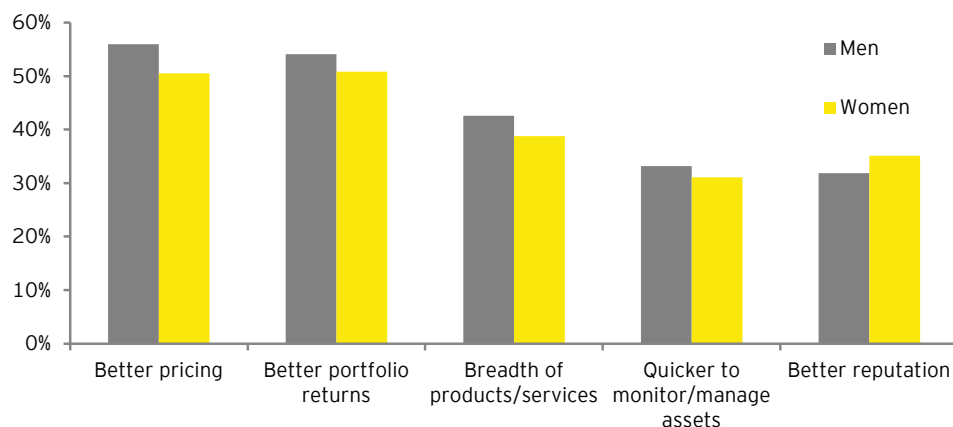
Market research into the preferences of wealthy women also suggests some striking differences when it comes to **switching**. One recent study shows that women are significantly more likely to move between wealth providers than men (62% compared with 44%).¹² This implies that widely held assumptions about the loyalty of female clients may be dangerously inaccurate from the point of view of wealth managers.

Women are not only more willing than men to switch wealth managers, but do so for different reasons. In contrast, they place more emphasis on a good reputation than male investors do (see Figure 4).

These findings are supported by another recent study, which found that more women than men are attracted by brand reputation (49% vs. 45%) and that fewer women than men were attracted by special offers (41% of women compared with 45% of men).¹² Overall, women appear to assess wealth managers in a less transactional way than men; instead, they are more interested in whether, and how, a firm can achieve their personal goals.

Figure 4 - Reasons for consolidating assets with fewer wealth managers

Source: EY





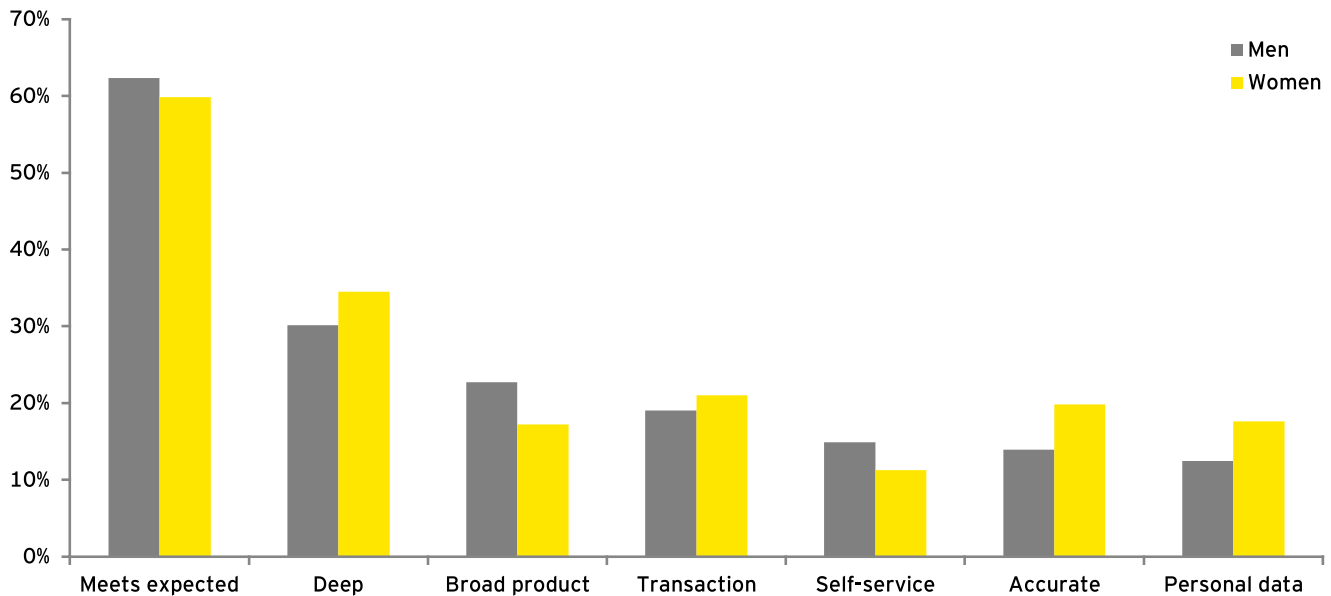
Experience

Women have distinctive opinions about **client experience** – how and when they choose to interact with their wealth managers. Women's client service preferences are not completely different from those of men, but their views diverge in a number of key areas (see Figure 5). Wealth managers need to recognize that these differences exist, and that addressing them is important to developing successful relationships with female investors.

- ▶ First, reinforcing our earlier findings: a higher proportion of women (35%) than men (30%) see a deep understanding of their investment goals as central to their experience of wealth management.
- ▶ Second, women place a much higher value on security, accuracy and privacy than men. Two examples are accurate account information, considered important by 20% of women but only 14% of men, and personal data privacy (important to 18% of women and 12% of men). Wealth managers who view accuracy and security as low-value “hygiene” factors risk alienating women investors.
- ▶ In contrast, women place less importance than men on several areas of client experience where many firms have been investing in recent years. These include product range and self-service capabilities.

Figure 5 - Factors that define client experiences

Source: EY



Wealth managers need to understand that addressing female preferences is not just a matter of “fine tuning” – it is vital to giving clients the best possible service. When asked to define good client experiences, women point to very different factors than men (see Figure 6). For example, women identify accurate account information as the most important consideration (50% vs. 45% for men). They rate high-quality, frequent advisor contacts higher than men (39% to 34%) and place a higher value on prompt responses to their queries (34% for women vs. 28% for men).

Our global report shows that wealth management clients are often more open to digital communication than their wealth management providers. The underlying data shows that attitudes toward digital channels also vary between the sexes – and not necessarily in the way that wealth managers might expect.

True, our research shows that women are slightly less likely than men to be relaxed about connecting digitally with wealth advisors (40% for women vs. 43% for men). Security, accuracy and a lack of human contact are among the areas highlighted as potential sources of concern. However, these concerns do not point to a fundamental dislike of digital channels; rather, they give wealth managers an indication of the areas they should focus on to make female clients comfortable with digital communication. In fact, research shows

that while enthusiasm for FinTechs, robo-advisors and other online platforms is currently evenly balanced between women and men, it is women who expect to make greater use of digital channels in the future (see Figure 7).

Our research also reveals that while wealthy investors of both sexes are increasingly willing to share their experiences online, women are slightly more likely to use social media¹³. The interactive nature and amplifying power of social media is fundamentally different from traditional communication channels, and our global report shows that many wealth managers need to increase their investment in this area. Given the importance of reputation in wealth management, the willingness of women to share good and bad experiences in public forums is highly significant.

Figure 6 - Factors that define good client experiences
Source: EY

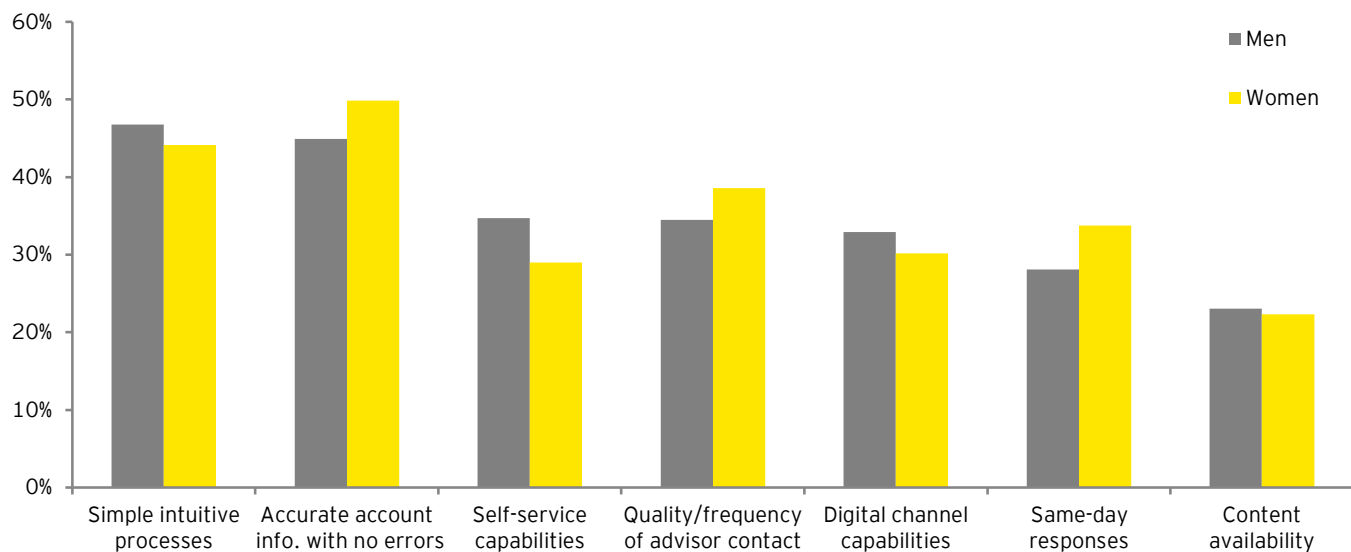
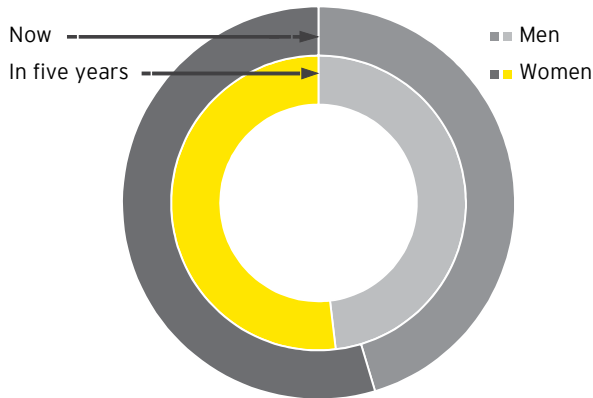


Figure 7 - Openness to FinTechs, robo-advisors, social investing and online trading platforms

Source: Roubini ThoughtLab



Trust

Our global report highlights the importance of transparency to **investor trust**. This is especially true for female investors. A close look at the research data shows that women share men's desire for clarity on costs, and put even more emphasis on transparency over investment performance (see Figure 8). They also place greater trust than men in advisors who clearly explain their investment decisions (27% vs. 23%) and advisors who prioritize their investment goals (26% vs. 24%). Once again, these findings are supported by a recent study that found that 41% of women value advice targeted at achieving their lifetime goals, compared with 35% of men.¹³

Finally, relationships with other family members play a more important role in building trust for women investors than for their male counterparts. Women are far more likely to rely on the advice of friends and family when making investment decisions – both now

¹³ "Wealth and Asset Management 2021: Preparing for Transformative Change," Roubini ThoughtLab, www.econsultsolutions.com/wealth2021-section/, accessed 14 December 2016.

Figure 8 - Most important drivers of advisor trust

Source: EY

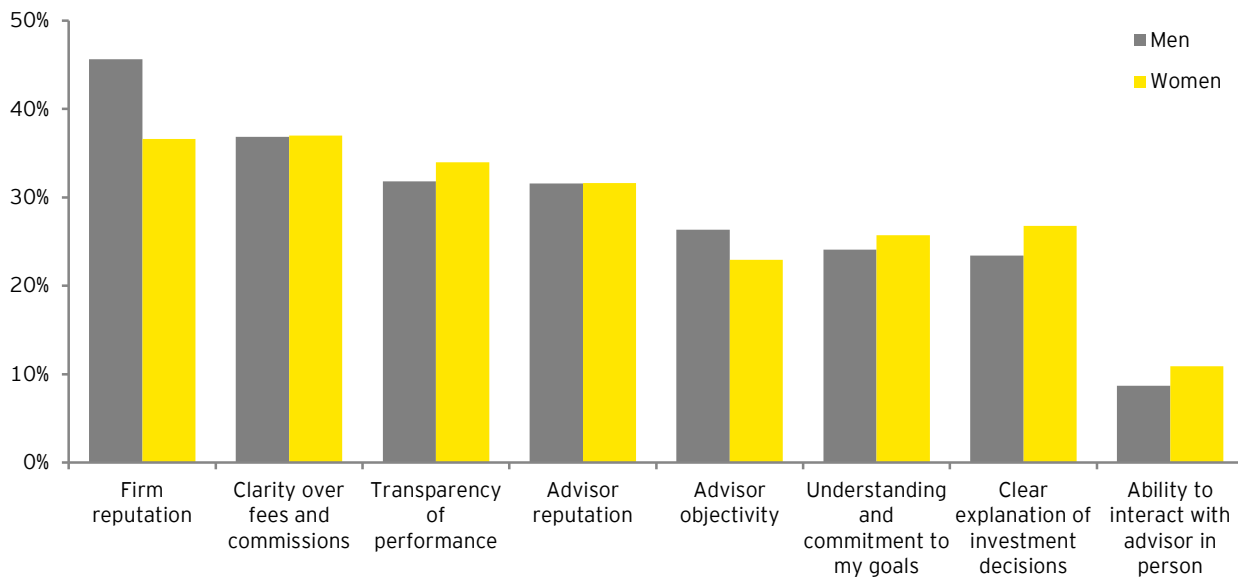
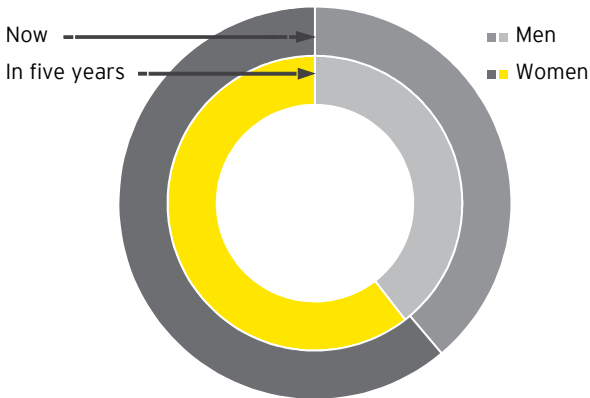


Figure 9 - Reliance on advice from family and friends
 Source: Roubini ThoughtLab



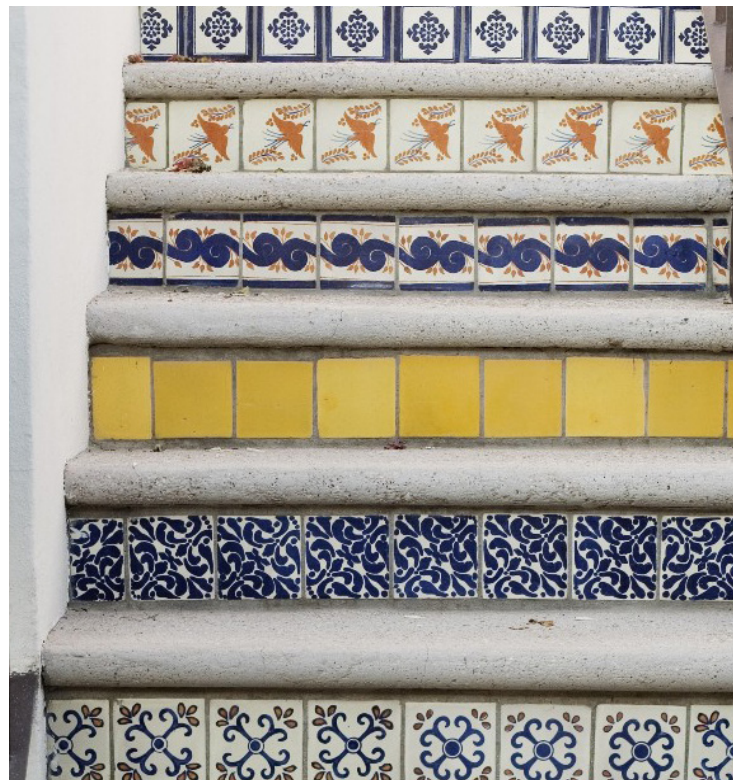
and in the future (see Figure 9). This is a vital insight in that it not only confirms that advocacy and referrals will become more important in the digital age, but that this will be particularly true among wealthy female clients. Women are also more likely than men to value advisors who build relationships with their other family members (25% vs. 20%).¹⁴

In summary: Our research shows important differences between female and male investors in a number of vital areas. Women have different investment goals than men, and are more likely to switch between providers. They see clear, substantive explanations as an important driver of trust. Women place a higher value than men do on human contact, but are potentially more open to the use of digital technology. Other distinctive preferences include greater willingness to share their experiences on social media, and greater interest in the views of family and friends. In contrast, we find little evidence to support some common assumptions about women investors, such as a lower risk appetite or an attachment to ethical investing.

Takeaways for firms: better tailoring for female investors

Our research shows that women have clear preferences and attitudes toward the management of their wealth. In many cases, these may be more distinctive and important than many wealth managers realize. It is clear that firms need to understand and identify these potential differences, and tailor client experiences accordingly.

So what should wealth managers be doing? In theory, what they have always done – give appropriate weight to the circumstances and priorities of every individual. In practice, many managers need to give gender preferences a greater weight in their segmentation models than has historically been the case.





Firms do not have to give female clients a totally different experience from that of male investors. But we believe that most should build a greater awareness of women's needs into the investments and changes they are already making to enhance client experiences. We suggest the following seven specific areas of focus:

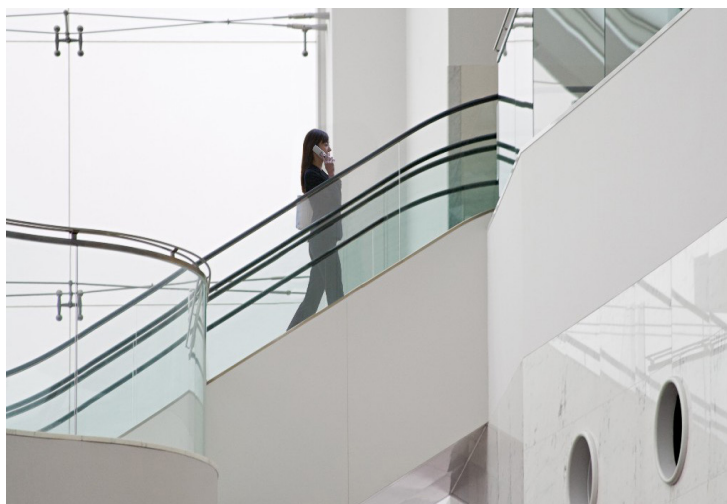
- 1. Goals and priorities.** A deep understanding of personal goals and priorities is vital to satisfying female clients. This not only requires an initial time commitment, but also regular contact and review. Understanding the personal "so what" behind investment goals provides a solid foundation for every other aspect of the client experience. This includes areas such as transparency, advice and communications that are of particular importance to female clients. However, firms must avoid making sweeping assumptions about women's priorities – for example, that "family comes first" or that ethical investments will be preferred.
- 2. Local and generational variations.** Our research shows that differences between the views of male and female investors are sometimes complicated by further variations between regions or generations. For example, although women are slightly less comfortable than men about digital contact with their wealth advisors, the reverse is true when comparing millennial women with millennial men.¹⁵ The picture also varies significantly between regions. In North America, women are notably more wary about digital communications than men, while in Europe and Asia there is only a slight difference. In contrast, women in Latin America are keener than men on digital communication and in the Middle East they far prefer it.¹⁵ It is vital for wealth managers to understand the cultural, religious and personal preferences that underpin variations such as these.
- 3. Training and guidance.** Wealth management advisors need to be given appropriate training to ensure they can understand the goals and preferences of female clients, help them achieve their goals and give them an optimal experience. Coaching on non-verbal communication skills and the need for perseverance could be particularly valuable. That does not mean that female clients should necessarily be assigned female advisors – although that may be the preference of some. It is more important for advisors of both sexes to appreciate that women's goals and attitudes are often distinctive from those of men.

- 4. Human-machine balance.** EY's global wealth management research report identifies the importance to every wealth manager of identifying its optimal core advice model – human, machine or hybrid. Each firm, regardless of their target market, will need to provide an element of digital advice in the future. Striking the right balance between human advice and digital technology is particularly important when dealing with female clients. A recent study suggests that women may place more value than men do on digital channels that facilitate human contact – such as video conferencing or webinars.
- 5. Transparency and education.** Transparency is a key priority for wealthy women, especially when it comes to investment performance. Women place particular value on advisors who can clearly explain their investment views and decisions. Studies show that women can feel less confident with investment terminology than men – but also that they are more willing to admit to a lack of expertise and more open to being educated. So wealth managers must not interpret a dislike for jargon as a desire for bland reassurances. Advisors need to be able to provide substantive, comprehensive explanations. Surveys by the wealth management industry show that women value an open, two-way dialogue and clear, concise information.
- 6. Helping, not selling.** Advisors need to be well versed in their ability to act as financial coaches for female investors. As highlighted in our main report, relationship managers need to behave less like financial advisors and more like financial coaches. That means spending less time discussing pure investment functions – many of which can now be automated using algorithms or digital advice – and more time delivering personally valuable advice. This could include reassuring clients during periods of market volatility, assisting clients through challenging periods in their lives and enabling them to achieve important personal goals. Specific examples might include holding family meetings to discuss shared goals, providing lifetime financial planning, coaching children about personal finance or advising on options for elder care.

¹⁴ "Wealth and Asset Management 2021: Preparing for Transformative Change," *Roubini ThoughtLab*, www.econsultsolutions.com/wealth2021-section/, accessed 14 December 2016.

¹⁵ "The experience factor: the new growth engine in wealth management," *EY Global Wealth & Asset Management*, www.ey.com/gl/en/industries/financial-services/asset-management/ey-global-wealth-management-survey-2016, accessed 7 December 2016.

7. Digital communication. EY's global wealth management research report shows that wealth managers and their clients often have different views on digital communication. Many firms still use digital channels to "push" educational or brand-building information to clients. In contrast, clients are keen to shape and share the content they receive while still retaining access to human contact. When it comes to female clients, it is particularly important for digital technology to complement human contact, and for firms to "talk less, listen more." Given the value that female investors place on personal recommendations and social media, wealth managers can build awareness among women by participating in investment forums organized by professional bodies, networking groups, nonprofits and other online communities.



In summary

Wealth managers need to ensure that the ability to understand and respond to women's needs is fully integrated into client experience models. Individual firms must judge which improvements are most cost effective, depending on their circumstances. Providing female clients with better experiences does not necessarily require a fundamental change to business models. However, it does need intelligent and nuanced segmentation that can identify and respond to women's preferences. That, in turn, means that careful thought about the use of technology is vital. Above all, it calls for the right culture – a combination of leadership, attitudes, processes and training.

Conclusion

Women are more financially powerful than ever, and may even account for the majority of personal wealth in some markets. Yet it seems that the wealth management industry could do much more to connect with this vital group and provide them with truly valuable experiences. Firms not only need to avoid putting off women investors – they must actively attract and retain this increasingly important client segment.

That requires much more than grouping female investors into simplistic groups, such as "careerists," "divorcees" or "widows." Women have distinctive and complex preferences in a wide range of areas. Some of these vary significantly from those of men, but even the more nuanced differences are of great importance to wealth managers, given the trillions of dollars of wealth that women control.

Wealth managers need to improve their micro-segmentation capabilities and their ability to provide tailored client experiences that acknowledge women's formal and informal goals, as well as their "soft preferences." This may not require radical change, but it does call for thoughtful investment in technology, training and processes.

No wealth manager has limitless resources, so firms must prioritize their investments to achieve the most cost-effective outcomes. The ideal approach is to integrate a strong focus on female clients into other client experience investments and initiatives. Wealth managers that can win the battle for female opinion will take a greater share of the US\$200b revenue prize that will accrue to firms delivering the best client experience.

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