

A Guide to Building Lasting Relationships with Female Investors

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Introduction

Women today are more financially independent than ever before, with an increased focus on advanced education and professional careers. They are an increasing proportion of the affluent, and this trend shows no signs of decelerating. Additionally, the life expectancy of women continues to grow, and the gap between male and female lifespan continues to widen. Not only are women amassing their own wealth, but they are also inheriting it – and with increasing rates of life expectancy, they are in need of financing a longer retirement. Surprisingly, women have extremely high rates of dissatisfaction with their financial advisors. With such a thriving and lucrative market, why aren't financial advisors doing an adequate job with their female investors?

The female investor is an inherently different type of investor than the male investor. Emotionally, mentally and genetically men and women are not the same, therefore they invest differently and for different reasons. As a result, the needs, wants and expectations of an investor and the relationship with the advisor are not uniform across the sexes.

Building a relationship with the female investor is paramount, and it requires time and effort. Women do their research; they devote time to learn about alternative options and they must be confident in their advisor. To attract potential female clients, advisors need to develop an approach that is more personal in nature compared to their male clients. Women don't want to be treated the same way that men are treated, but they also don't want to be treated as all other women. Their situation, needs, wants and goals are unique and should be treated as such. The traditional financial advisor framework that is successful with male investors will not be adequate for today's women of wealth.

A financial advisor's efforts to build business with the female investor tends to be personally rewarding; women are often exceptional clients. Women tend to be highly organized and goal-oriented and long-term planners that are receptive to comprehensive wealth management. They can often be characterized as loyal, they are substantial contributors to household financial decisions, they will put their trust in you and if they like you, they will be an excellent source of referrals.

The Women's Market

Women represent a large and growing market segment, which presents an attractive opportunity for financial advisors to grow their assets under management. According to Virginia Tech's Women in Leadership and Philanthropy, women control nearly 60% of the wealth in the United States.¹ Forty-five percent of American millionaires are women, and the number of wealthy

¹ "Women in Leadership and Philanthropy," Virginia Tech, www.wlp.givingto.vt.edu.

women in the U.S. is growing twice as fast as the number of wealthy men.² According to the Boston Consulting Group, women will out earn men by 2024.³ The reason for this shift in control is twofold: women are creating more of their own wealth and women statistically live longer than men and as survivors of the estate, they inherit control.

When examining this market opportunity, it is important to recognize the differences that exist between male and female clients.

Men vs. Women: The Science and Culture Behind the Differences

“Men tend to define wealth in terms of status and power. Women see wealth equaling personal productivity and a means to independence and empowerment, not power.”

-- Cindy Conway, Director of Marketing, Wealth Advisory Service, Wilmington Trust.

Intuitively, advisors in the financial industry have recognized that working with women is very different than working with men. Now there is scientific evidence to support the idea that each gender does indeed approach decisions very differently, and therefore, the advisor’s relationships with each gender will be different as well. Science shows us that the way women and men approach wealth can be linked to two genetic differences:

1. **Hormonal Makeup** - The primary hormone that drives men’s behavior is testosterone. The typical behaviors associated with testosterone, competition and aggressive risk-taking are also evident in the way in which men approach investment decisions. In contrast, women’s hormonal makeup (estrogen, progesterone, oxytocin and serotonin) has historically driven women to be more nurturing, caring and risk averse. This behavior is typically evident in the way women make money-related decisions as well.
2. **Brain Connectivity** - According to Marti Barletta in her book *Marketing to Women, How to Increase Your Share of the World’s Largest Market*, women and men process data differently because they receive information differently. To summarize, there are connectors between the left and right side of the brain. For women, these connectors are much larger and there are significantly more of them. As a result, women process much more data at one time than men. This increased data flow results in what some refer to as a woman’s intuition. Men are able to remain focused on specific details, while women utilize more information when making decisions. Women may, for instance, be more sensitive to their surroundings, tone of voice and body language when meeting with an advisor, where men may be focused on the message alone, unaware of or less impacted by these other factors.

Female investors tend to trade less, research decisions and learn from their mistakes more so than male investors. Studies have shown that women exhibit less overconfidence:⁴ men think they know more than they do, while women are more likely to know what they don’t know. Women are also more likely to seek information and assistance from sources and people they trust: 64% of women turn to their families or spouse to help them make investment product decisions.⁵ Women are more immune to peer pressure and more risk tolerant. Men enjoy competition while women prefer cooperation. These traits produce consistent and persistent

² “Women and Money: Research reveals unmet opportunities and risks,” Mary Quist-Newins, 2010.

³ “Leveling the Playing Field,” The Boston Consulting Group, July 2010.

⁴ Barclays Wealth Insights Volume 13: Risk and Rules The Role of Control in Financial Decision Making.

⁵ “Financial Experience & Behaviors Among Women, 2010–2011,” Prudential Research Study, 2012.

results for female investors. In general, these primary, scientific differences between men and women impact how they approach the investment process and the type of relationship they desire from a financial advisor.

Chart 1 lists stereotypical ways each gender tends to approach money and investing. This chart suggests that, in general, women seek to make a personal, empathetic connection with their advisor. Therefore, the basis for the advisor-client relationship should be a deep understanding and recognition of the important issues the client is facing and how they shape and inform her long-term goals.

Before the client discovery process can move toward a discussion of specific strategies or products, the advisor must take time and care to establish a steadfast relationship. By ignoring this crucial step, advisors risk losing the prospective client before the investment process even begins. Once the initial relationship is established, women typically prefer a holistic approach to their wealth management plan. Before making important decisions, financial or otherwise, women want to educate themselves on the relevant issues and understand their options.

Chart 1: Perceptions of Money and Investing

Men	Women
Status	Connection
Challenges FA	Seeks more advice
Trade	Collect
Higher portfolio turnover/lower return	Lower portfolio turnover/higher return
Risk takers	Risk adverse
Hot stock tip	Secure plan

Sources: “Boys Will Be Boys: Gender Over Confidence, and Common Stock Investment,” Brad M. Barber and Terrance Odean, Quarterly, *Journal of Economics*, 2000.
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Female Education, Income and in the Labor Force

Today, almost 60% of adult women are workforce participants, compared to 20% in 1970.⁶ According to *The American Express OPEN: State of Women-Owned Businesses Report*, as of 2014, 9.1 million of American businesses are owned by women, employing nearly 7.9 million workers and generating over \$1.4 trillion in revenues for the U.S. economy. Nearly 14.2 million firms were at least 50% owned by women, accounting for 46% of all U.S. firms. These firms employed nearly 15.9 million worker and generated nearly \$2.9 trillion in revenues.⁷

Women have surpassed men in many education categories. For the graduating class of 2013, the Department of Education estimated that women would earn 61.6% of all associate’s degrees this year, 56.7% of all bachelor’s degrees, 59.9% of all master’s degrees, and 51.6% of all doctorate degrees. Overall, in 2013 it was anticipated that 140 women would graduate with a college degree at some level for every 100 men.⁸ As of 2012, working women with degrees were more prevalent

⁶ http://www.dol.gov/wb/stats/population_LF_13.htm

⁷ “State of Women-Owned Business Report, A Summary of Important Trends,” The American Express OPEN, 2014.

⁸ Department of Education, 2013.

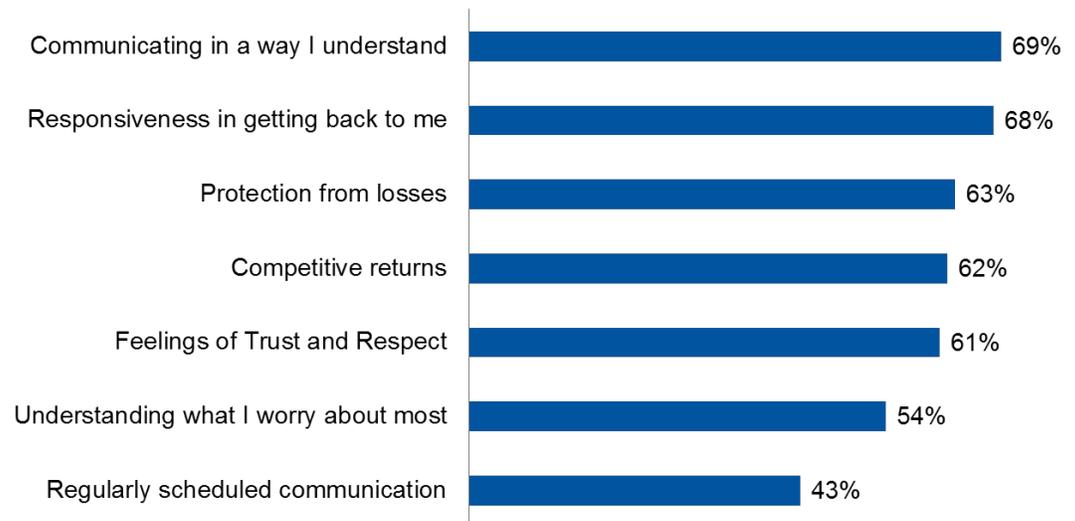
than men; 37% of working women had college degrees compared to 35% of men.⁹ Almost all women (95%) will be their family’s financial decision maker at some point¹⁰, four in ten women are either the sole or primary source of income for their families and 37% of wives in U.S. double-income households make more than their husbands.¹¹

An increasing presence in the workforce coupled with rising educational attainment levels translates to women being more independent, both fiscally and when making financial decisions, than ever before. This financial independence will only strengthen as workforce participation and education levels continue to trend upwards.

What Women Want

When analyzing financial advisor options, women seek experiences that help them build satisfying relationships. They do not want to be treated as their male counterparts, nor do they want to work with advisors that take a “female-centric” approach. Women want an advisor that understands her unique situation and can build a plan that works for her and her particular circumstances. Chart 2 reveals trust, communication, comprehension and respect are some of the key qualities women seek in an advisor.

Chart 2: Qualities Women Feel are Extremely Important in a Financial Advisor



Source: Age Wave/LPL Financial Study, Base: Women with spouse/partner, A New Era of Women and Financial Planning: How Advisors Can Best Meet Their Needs, 2011. Source: MetLife, “Finances and Female Executives”, November 2010 For illustration and educational purposes only.

Areas of Dissatisfaction

An astonishing 70% of women fire their advisors within 1 year of their husband’s death or divorce.¹² Advisors must begin the relationship-building process now, ahead of the wealth

⁹ Department of Education, 2012.

¹⁰ “Leveling the Playing Field,” The Boston Consulting Group, July 2010.

¹¹ Breadwinner Moms. PEW Research, May 2013.

¹² “Women’s Views of Wealth and the Planning Process: It’s Their Values That Matter, Not Just Their Value,” Advisor Perspectives, March 2011.

transfer event, in order to increase the probability that the female beneficiary will keep her inherited assets with the advisor. Unfortunately, this is an area where many advisors struggle. Whether the woman is a creator of wealth or a potential beneficiary, women are not happy with their relationship with their advisor. A 2010 Boston Consulting Group study¹³ found:

- More than half of the women felt that wealth managers could do a better job of meeting the needs of female clients.
- Nearly a quarter of respondents thought that wealth managers could significantly improve how they serve women.
- Over 70 % of the respondents said that wealth managers should tailor their services for women.
- Women want their advisors to understand who they are and what they want.

By understanding how women balance time, money and well-being, you understand the inner dialogue she goes through at every point in the decision-making process. Offering unique ways to make the experience easier and more fulfilling is a key aspect of the client/advisor relationship.

Women want a financial advisor that will respect that she is not part of a niche group, an advisor that will join her circle, listen to her, ask her opinion and acknowledge her influence. A financial advisor should understand that she is a holistic thinker when making every financial decision.

Positioning Your Message

For the advisor, it is important to recognize that the basic difference between advising male and female clients is often not what issues or concerns are addressed in a financial plan, but rather the approach to executing that plan. Studies have concluded that women process data differently than men (a number of these studies can be found in the books listed in this paper's Resources). Advisors should understand:

- Women tend to be highly organized and goal directed; they are likely to be long-term planners and receptive to comprehensive wealth management.
- Women want financial education before making investment decisions.
- Women tend to seek advice more than men, and are less prone to overconfidence about their abilities.
- Women want a relationship with an advisor that is comfortable – personal yet professional. It is important to note that they are looking for a professional empathetic counselor, not a best friend.
- Women expect highly individualized and effective service.

Based on these findings, an advisor may offer the same solutions to a female client as he would to a male, as female creators of wealth share many of the same problems and concerns as male creators of wealth. However, the way in which the advisor provides guidance and builds the relationship matters.

The desire for financial education will still be important, arguably more important for a woman with less financial or business experience. A relationship built upon seasoned advice and

¹³ Leveling the Playing Field: Upgrading the Wealth Management Experience for Women. Boston Consulting Group, 2010.

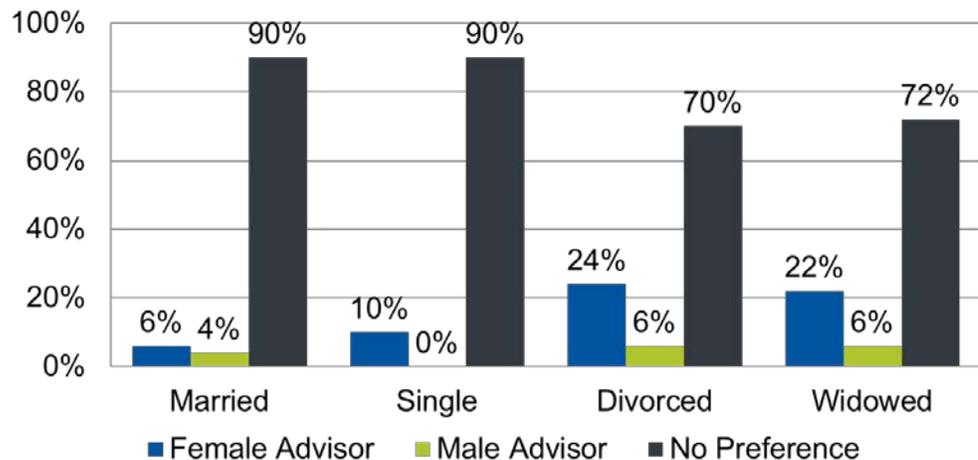
education, an understanding of her goals, and a long-term perspective is of critical importance. Their need for education stems from a desire to better understand and evaluate their financial picture and their progress toward achieving important long-term goals. While women are less likely to frame the investment process in terms of competition (e.g. outperforming other investors), they do desire to understand how their investments have performed and how that performance relates to their goals.

Advisor Preferences

Because the female approach to wealth management frequently differs from the approach of males, it is often assumed that female clients prefer female advisors, who may better understand their frame of reference. However, evidence suggests that this is not so. A survey conducted by The Boston Consulting Group asked women with at least \$250,000 in bankable assets about their gender preferences for their financial relationship manager. Eighty five percent responded that they were indifferent as to gender, indicating that they cared more about the individual’s personality and qualifications. Eleven percent expressed a preference for women advisors, as a woman would better understand their needs and be less intimidating. The remaining 4% of female respondents actually said they would prefer a male, and worried about the time pressure women face balancing career and home life or the possibility of women taking more time off from work.

Chart 3 displays the results from a survey of affluent women. The women were asked their gender preference of their financial advisor, and the results were categorized by marital status. The vast majority of all women, regardless of their marital situation, were indifferent towards the sex of their advisor.

Chart 3: Advisor Gender Preferences



Source: Family Wealth Advisors Council, “Women of Wealth: Why does the Financial Services Industry Still Not Hear Them?” Heather Ettinger and Eileen O’Connor, 2011

Know Your Client and Cater to Her

Much of this paper has focused on the importance of relationship-building and establishing trust to be successful with the female investor in capturing wallet share in the women’s market. However, this focus should not mislead advisors into thinking more quantitative factors, such as

performance and fees, are unimportant. First and foremost, women seek customized, long-term advice that stems from a comfortable relationship where the advisor provides education. Once the relationship is established, advisors should not make the mistake of thinking performance is unimportant, and that only the “softer” aspects of the client relationship matter. While women do value personal connections, advisors who assume this means they can avoid a discussion around hard numbers may come across as condescending and damage the relationship. As always, it is crucial for an advisor to know their audience and tailor the message accordingly.

That being said, an advisor must cater to their clients. While a male client may prefer formal office meetings, women generally prefer a more informal atmosphere, perhaps group meetings held in your living room or female focused networking events. Research has shown that men prefer to learn independently, while women learn well in supportive collaborative environments. Women prefer to stand back, listen and observe while men are apt to charge ahead and learn while doing. Women seek common experience and want to put themselves on the same emotional and intellectual plane as others.¹⁴

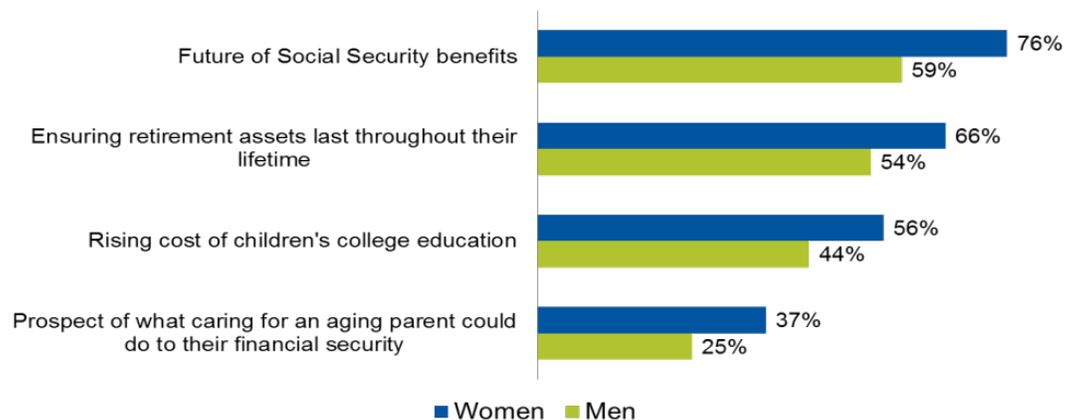
Although women may prefer to participate in less traditional meetings, the quality of the meetings should not falter. Women desire financial education and they expect highly individualized and effective service.

Advising Female Investors

Retirement Planning

Statistically, women live longer than men, indicating that most of the time women will be the second to die and an estate will transfer to heirs upon her death. Chart 4 illustrates that women are more apprehensive towards retirement planning than men.

Chart 4: Concerns of Affluent Women and Men



Source: Merrill Lynch Wealth Management: Merrill Lynch Affluent Insights Survey, 2012.

Planning for retirement is a large concern of affluent women since almost half of women over 65 are facing retirement alone and 42% of women agree that they don't know how to reach

¹⁴ Women's Worth," Eleanor Blayney, 2010.

retirement goals (compared to 31% of men). A staggering 64% of women have never tried to calculate how much they may need to reach their retirement goals and three quarters do not have a formal financial plan in place.¹⁵ This lack of financial planning knowledge is a huge opportunity for financial advisors if they are able to acquire these women as clients.

Overall, there are many retirement challenges women face, including longevity risk, the negative impact on older women when their husbands die, the impact of care giving on Social Security benefits and the chronic underestimation of the cost of healthcare.

There is a great opportunity for advisors to work with women on improving their knowledge of retirement issues and creating a comprehensive retirement plan. The retirement planning process for women should specifically address issues that are more likely to be relevant to a woman as she ages: the need for a guaranteed lifetime income stream and the high cost of long-term care.

Philanthropy

Women are a powerful force in philanthropy today as they are more likely to give to charities and they give at higher levels than men.¹⁶ As women achieve high levels of professional success, they are re-examining their personal definition of leadership.¹⁷ Part of that leadership is recognizing their responsibility to make a difference through philanthropy. According to the Center for Women's Business Research, women business owners and executives who are the most successful are independent, decisive and generous philanthropists. In addition to volunteering their time to support causes about which they are passionate, 54% of these women make charitable contributions of \$25,000 or more annually and nearly 20% donate \$100,000 or more every year.¹⁸

The Women's Philanthropy Institute, which is part of the Lilly Family School of Philanthropy at Indiana University, conducted a study which supports the theory that gender differences in philanthropy are indeed real:¹⁹

- The study, conducted by The Center on Philanthropy's staff, indicates that single women are significantly more likely than single men to make a philanthropic gift.
- Results also show that married men and married women are both more likely to give and to make larger gifts than single men, indicating that women's propensity for giving influences the philanthropic habits of their husbands.
- Reliable evidence also shows that women who participate in donor education programs are more likely to give larger gifts, to give unrestricted gifts, to develop a long term giving plan, and to hold leadership roles on nonprofit boards.

Based on these patterns and motivations, advisors can be confident that wealthy women, both beneficiaries and wealth creators, are generally receptive to a meaningful dialogue to construct a personal framework for giving. Chart 5 demonstrates the top motivations for giving to charities for both men and women.

¹⁵ "Mother's Day Reality Check: 10 Obstacles to Women's Retirement Goals," Financial Planning, May 2012.

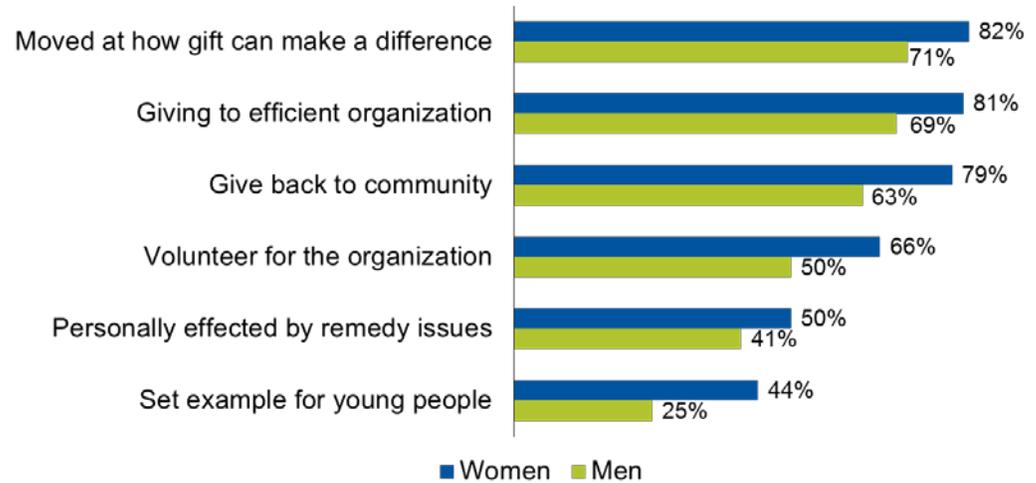
¹⁶ "Women Give 2013," Lilly School of Philanthropy, Indiana University, 2013.

¹⁷ Women and Philanthropy Forum. The George Washington University, April 2, 2009.

¹⁸ Women and Philanthropy Forum. The George Washington University, April 2, 2009.

¹⁹ "Women Give 2013," Lilly School of Philanthropy, Indiana University, 2013.

Chart 5: Reasons Male and Female Investors Donate to Charities



Source: Bank of America Merrill Lynch, Study of High Net Worth Women's Philanthropy and The Impact of Women's Giving Networks, December 2011.

Guiding the advisor's participation in such a dialogue should be an understanding that the most impactful discussions explore philanthropic interests, values and intent. In addition, there is a desire to know more about giving options, how to evaluate giving options and how to determine the effectiveness of donations.

Women are Exceptional Clients

"If you earn a woman's trust, she will be a loyal, life-long client and will provide referrals exponentially." Susan Tompkins Director, Recruitment and Management Development, Northwestern Mutual Life.

Like their male counterparts, female creators of wealth represent a significant opportunity for advisors to gather new assets. Women bring unique characteristics that are invaluable to financial advisors. Women have a higher degree of trust; they are more open to listening to their financial advisor and accepting their guidance. Women hold a higher share of assets with their primary advisor, whereas men are much more likely to spread their assets around several advisors.²⁰ Women stay with their advisors for longer and are three times more likely to give referral than men.²¹ This is notable as it been well documented that acquiring new clients is much more costly in terms of time, money and resources than retaining existing clients. With this in mind, it is important to consider the extent to which advisors can leverage existing relationships to reduce the effort required to gain new business. Enlisting existing clients as your advocates can be tremendously helpful in building new and profitable client relationships, and this is especially true in the women's market.

Women are heavily influenced by other women's opinions and they look to each other as sources of advice and for real-time reviews of products. As a result of this powerful communication,

²⁰ Cogent Research, Investor Brandscape 2010.

²¹ Cogent Research, Investor Brandscape 2010.

businesses can quickly decline or improve based on how they adopt to these new realities. A survey from ComScore found that "once women connect, they engage; once they engage, they embrace; once they embrace, they drive."²²

Because women value relationships and personal connections, it is often said that women are natural networkers. Networking is all about nurturing relationships, a skill which appears to come more easily for many women. This fact, combined with the valuable contacts wealthy women are likely to develop, makes women a potentially powerful source of referrals. According to Marti Barletta and The Trendsight Group, women are more likely to give and receive recommendations from their personal and professional networks about both positive and negative purchase experiences.²³ For advisors, the implications are clear: establishing success in the women's market should lead to more referrals, enhanced status with this market segment, and ultimately greater success attracting future business. On the other hand, a poorly thought out or carelessly executed foray into the women's market creates the potential for bad word of mouth within influential networks of wealthy women, which will make it difficult for an advisor to resuscitate a damaged reputation.

Next Steps

Women are a growing proportion of the affluent population. Therefore, it is essential for financial advisors to reach out to this demographic to enable their practices to flourish in the coming years. The following list provides approaches financial advisors can use to establish new relationships with potential female clients and solidify relationships with their existing female clients.

- Evaluate the relationship strength with the women already in your practice
- Host unique events or educational opportunities to make connections
- Get involved with female networking events in your area
- Include women on your client advisory board
- Understand the goals of each female client
- Address key issues and considerations

Conclusion

Like their male counterparts, females represent a significant opportunity for advisors to gather new assets. In light of the fact that women are now creating and controlling more wealth than ever before makes this an appealing market. With the significant wealth transfer predicted to occur over the coming decades, it is crucial for advisors to establish relationships with these women who will ultimately be the stewards of significant inherited assets.

Marketing to women and building lasting relationships in the women's market continues to be challenging for both male and female advisors. Women are underserved by financial advisors, while they continue to gain a significant proportion of today's wealth. For the advisors who can successfully develop an approach that meets the needs and concerns of women, there are tremendous opportunities for building a meaningful presence within this important market. The key to building lasting relationships with the wealthy female investor is to establish a strong

²² "Women on the Web: How Women are Shaping the Internet," comScore, 2011.

²³ "Women on the Web: How Women are Shaping the Internet," comScore, 2011.

connection that promotes and facilitates communication and trust. Most importantly, advisors must learn to tailor their services to the unique situation of each potential client.

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23691-ADV-Y-03/18

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