



# Women and wealth

Time to step up  
and answer the call

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# She's half the market, overlooked.

Once you cut out the active versus passive and regulatory noise, there are four core issues that are set to influence the direction of wealth management in the next decade:

1

Technology

2

Cost to invest

3

Age and wealth transfer

4

Gender

While all these issues are connected, it can at times be difficult to disassociate one from another. If there is one of the four that is discussed less than the others but, in reality, may have more impact than the other three, it is the issue of *women and wealth*.

## The facts

The issue of women and wealth is important, because in Canada women make up 50.3% of the population and 48% of the workforce; are responsible for two thirds of consumer spending; and control almost C\$2 trillion in financial assets, and much more, if real estate and equity in private businesses are included (Figure 1). That is equal to 3% of global total wealth. Women also generate approximately \$600 billion in annual income and pay almost \$80 billion in tax. The future is not to be ignored:

By 2028, it is expected that the share of Canadian financial wealth controlled by women will increase from

37%

at the end of 2018 to

45%

by the end of 2028

The share of wealth held by women in various wealth segments declines as the segments become wealthier. Their share of wealth in the high net worth (HNW) segment, defined as those with \$1 million or greater in investible assets, is estimated to be 27%.

Figure 1 | Women's wealth and income



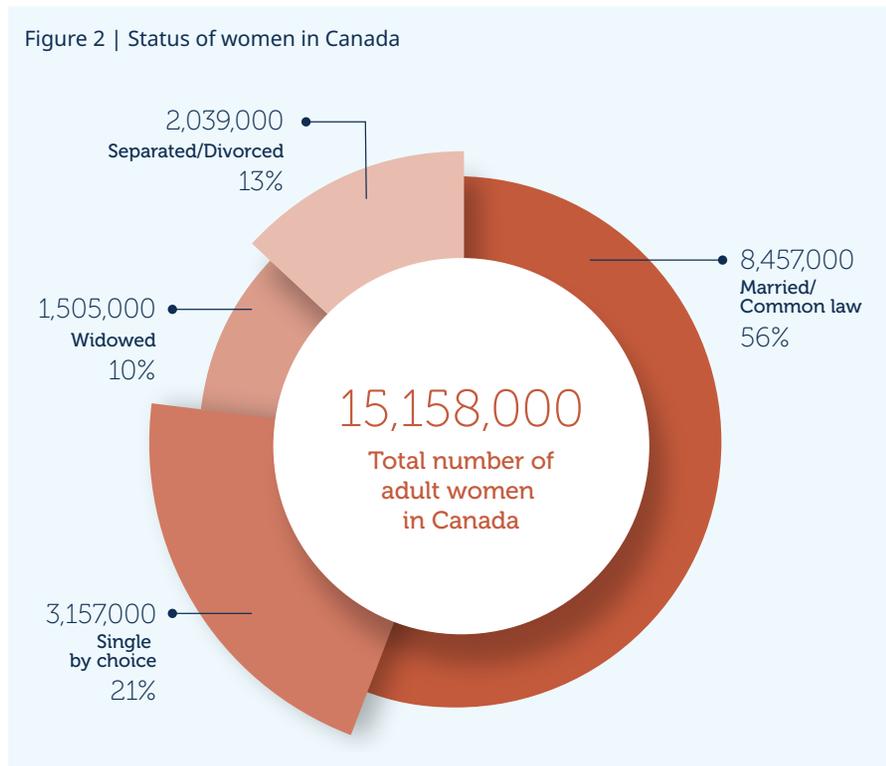
Source: CRA Income Statistics, Investor Economics Analysis

Within the HNW community in Canada, there are an estimated 150,000 successful women who currently control approximately \$900 billion. As women inherit a majority of the \$1 trillion wealth-in-motion over the next decade, and as women move rapidly into higher-earning roles, these numbers are set to rise at a far higher rate than the 4.8% projected by Investor Economics for all Canadian millionaire households over the next 10 years.

## More than one segment

HNW women are, clearly, not a single homogeneous segment with identical needs (Figure 2). They are professionals, executives, entrepreneurs and inheritors. Some are single by choice, some are married with children, and some are widows. Furthermore, there is clear proof that their financial journey has not been and will not be the same as that of their male peers.

The financial journey of Canada's affluent women, be they aspiring lawyers, executives or teachers, often includes challenges, such as a persistent gender pay gap; the need for flexible working conditions; maternity leaves; and demographic reality that women, generally, marry or partner with older men and frequently outlive their spouses or partners.



Source: Statistics Canada

## A call to action

Research studies suggest that a majority of women believe that the wealth management business was designed by men with men in mind and that change is urgently needed if the industry is to meet the future needs and expectations of women, irrespective of their level of wealth. There is also evidence that only one in three women trust financial professionals, and more than one study point to the fact that 80% of Canadian women change their primary financial advisors within one year of the death of their husband or partner. Clearly, there is a need for new and innovative strategies that go well beyond "changing the font to pink," as one observer noted.

Postponing a change in direction and strategy, consequently, is not an option for the wealth management industry.

**80%**  
of Canadian women change their financial advisors within one year of the death of their partner

Some of the complaints made by women (usually about male advisors) include:

1

Excessive use  
of jargon  
(28%)

2

A sense of  
being patronized  
(36%)

3

An assumption by advisors  
that their wealth came from  
their husband

4

An unwillingness to  
spend time understanding  
their goals

A study of HNW women, undertaken in the United Kingdom in 2017, found that only 17% of respondents felt that financial advisors paid “sufficient attention to women’s financial planning needs”.

## The importance of advice and communication

Although there are many areas in need of improvement, one positive trend is the importance that female investors attach to planning and receiving professional advice. Despite increasing levels of female financial literacy, women are more likely to seek out an advisor and only 50% trust their own investment capability, compared to 65% of men.

7/10  
women correctly assume they  
will outlive their partner

Unfortunately, research studies indicate that advisors communicate with their female clients far less frequently than they do with male clients, with the result that women demonstrate relatively low levels of satisfaction with their advisors (Figure 3).

Figure 3 | Communicating with advisors

### Talk to advisors quarterly about investments



### Talk to advisors quarterly about planning issues



Source: Accenture Consulting

## Goals and concerns

But that is not the whole story. Given that most adult women spend 44% of their adult lives outside the work force (compared to 28% for men), it is not surprising that recent studies suggest that women, including HNW women, have a high level of concern about funding their retirement—partly as the result of interruptions to the savings aspect of their journey—and believe that there is a need to create a clear roadmap to financial security.

In addition, and unlike men, who tend to view prosperity as the goal, affluent women see the accumulation of wealth as a means to accomplish a set of personal objectives, be it financial security for their family (a matter of importance to three quarters of HNW women); the establishment of a business; or an ability to support charities active in the local community, an objective of 72% of female entrepreneurs.

## Risks

Not only do financial advisors need to recognize that men and women have different financial journeys, drivers and priorities, but also that women use different risk assessment and decision-making processes. In terms of risk, in addition to the state of the economy, women see health challenges, the premature death of a spouse or partner, employment continuity, and marital breakdown as issues to be considered in any financial plan. Seven out of every ten women correctly assume that they will outlive their spouse or partner (usually by five to seven years) and it follows that women have a high level of interest in ensuring that their financial plans recognize and make provision for the cost of long-term care.

Even as women are concerned about long-term care for themselves, they are also very aware that they may well be called upon to provide care to a parent. In fact, a majority of care provided to older adults is provided by daughters at an estimated annual cost to the caregiver of US\$7,000. Not only is care likely to be needed by a parent but, according to a study undertaken by the Family Wealth Advisors Council, 80% of HNW women in the United States believe that they will be required to provide financial support to one or more of their children. Surprisingly, a majority of women also believe that they will be the parent that is responsible for the financial education of their children.

72% of female entrepreneurs  
want the ability to support  
charities in their community

## Investments

Notwithstanding the views of some advisors (which run counter to the emerging view of some industry leaders), there is little doubt that the savings and investment habits of women are distinctly different to those of male investors. Women save more of their earnings than men (despite the earnings gap); trade and make portfolio changes less frequently than men; and are unlikely to invest in instruments and speculative opportunities that they do not understand. Proof of their savings habits is in Canada Revenue Agency data that shows that women increased the level of their average RRSP contribution by 43% between 2010 and 2017 (Figure 4).

Figure 4 | RRSP and pension contributions by women



Source: CRA Income Statistics, Investor Economics Analysis

These attitudes toward investments may reflect a desire and need to preserve wealth; the fact that wealth tends to come to women later in life; and a lower level of financial confidence. An Accenture study noted that 61% of women claimed a good understanding of investments, versus 75% of men.

Before leaving the topic of investments, it is worth noting that women display a strong preference for investments that carry an environmental, social or governance (ESG) or socially responsible label, a positioning that is consistent with their views both on impact investing and charitable giving.

## Back to advisors

The majority of HNW women seek advice from financial professionals and want to be actively engaged in the planning process, as well as the development of financial strategies both for themselves and their families. To some extent, this enthusiasm was a product of the 2008 financial crisis: a report by Allianz indicated that 68% of women saw this as a wake-up call for involvement. The ongoing global pandemic, which one third of Canadian women reportedly expect to negatively impact their financial wellbeing, will further underscore this commitment to engage with advisors. That, and the fact that women are more comfortable paying fees for advice than men, is the good news if you are an advisor. The offset is that women are more willing to change advisors than men, particularly where they do not sense a “fit” in terms of personalities.

As a general rule, women are agnostic to the gender of their advisor, with less than 40% of female investors choosing to work with a female advisor. However, there seem to be an increasing number of exceptions to this tendency. Firstly, a number of divorced and widowed women, the latter often owning significant assets (Figure 5), have expressed a preference to work with a female advisor.

Secondly, younger, well-educated women are also likely to either choose a female advisor or to self-manage their investments.

Figure 5 | Net worth of divorced and widowed women



A female client will make  
**2.5x**  
the number of referrals when  
compared to a male client.

Being an advisor to an affluent woman can be very beneficial to the advisor, given that more than one study has confirmed the fact that female clients make more referrals than male clients. One study, by Strategy Marketing, suggested that over the course of an advisor/client relationship, a female client will make two and a half times the number of referrals when compared to a male client.

### The outlook

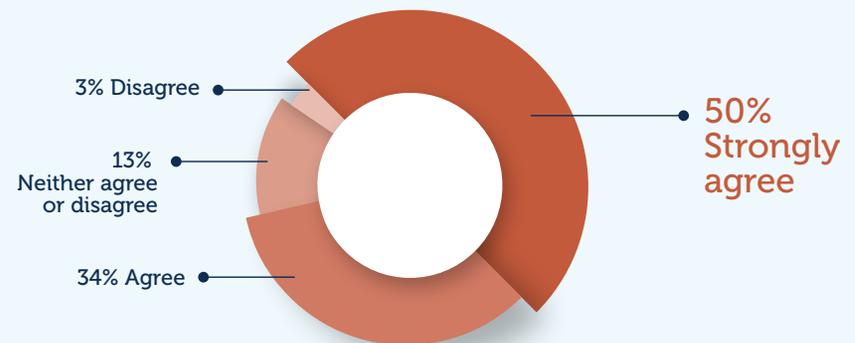
On the demand side of the equation, the outlook for women and wealth is encouraging. There is an increasing number of female entrepreneurs, with 40% of HNW women globally claiming that owning a business is the source of their wealth. Furthermore, women are entering the professions and other high-

paying careers thanks, in part, to the fact that 35% of women in Canada have university or college educations (compared to 29% of men). Finally, as indicated earlier in this paper, the ongoing transfer of wealth, both within households and between generations, will disproportionately benefit women.

To some extent, this rosy outlook needs to be tempered by the effects and uncertain ending of the global pandemic. As suggested earlier, one third of Canadian women anticipate that the economic impact will lead to a deterioration in their financial condition.

On the supply side, HNW women have thrown down the gauntlet at the feet of the wealth management industry and have challenged it to move through a fundamental change that will recognize that Canada's women expect and deserve both a differentiated and an enhanced level of service in line with their growing financial influence. It is difficult to imagine how this can be done without far better female representation in both leadership and advisory roles (Figure 6).

Figure 6 | Importance of female representation in leadership and advisory roles



Source: WealthBriefing

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