Building a better working world

Harnessing the power of women investors in wealth management

A look at the North American market

Why now?

Women are creating and accumulating wealth at an accelerated pace, and wealth management (WM) firms are starting to notice. Women are more than a niche market — they are influencers and controllers of substantial wealth. Although this paper is focused on North America, this is a global phenomenon. According to the CFA Institute, the global income of women will grow from $13 trillion to $18 trillion in the next five years; that is more than the GDP growth of China and India combined during the same period. By 2028, women will control 75% of discretionary spending around the world.

Yet, in the wealth management arena, women are still largely an underserved segment. Research shows most women do not have an advisor managing their financial needs. According to a senior marketing executive at a top 10 wealth management firm, only 43% of women have an emergency fund versus 63% of men, and only 25% of women rebalance their portfolios to keep their asset allocation on track versus 49% of men. To better understand how wealth managers are capitalizing on this opportunity, we conducted primary research with senior executives at more than 10 wealth management firms. We conducted a series of interviews with executives representing various business functions such as strategy, marketing, financial advisor coaching and technology. It is clear that everyone from large wealth managers and registered investment advisors (RIAs) to digital disruptors and impact funds are starting to notice the size of the opportunity and are beginning to stake their claim.

So, should women be treated differently?

First, should there be a difference in how WM firms treat male and female investors? According to a senior marketing executive we interviewed at a large WM firm, 60% of financial advisors don't believe that women should be served differently. Our research tells a different story.

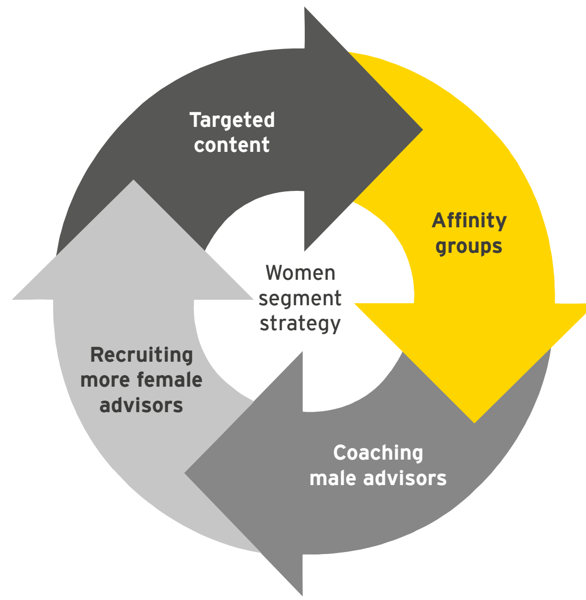
Women typically spend more time educating themselves before making a decision, and they tend to have a longer sales cycle and choose a financial advisor based on relationship, brand affinity and trust. As a result, women are also more loyal and are less likely to switch, as per a senior executive at a top US WM firm. Comparatively, men purchase and make decisions on a transactional basis and have a competitive desire to do better than colleagues and friends. Men tend to choose a financial advisor based on investments and returns. Women, on the other hand, are not as transactional in their decision-making and are typically focused on longer-term goals. This was a consistent view shared by multiple senior WM executives with whom we spoke in the US and Canada.

WM firms that recognize the distinctive needs of women are the ones leading the way in capitalizing on this opportunity. These firms recognize that women are not a homogenous segment. There are many types of women — the entrepreneur, the executive, the inheritor and the millennial, just to name a few. Each has a different outlook and set of needs, and there is a corresponding opportunity for WM firms to recognize and serve those needs. Firms that do this well will stand to gain significantly from the loyalty and the relationship equity generated by this client segment.

A founding partner at an RIA firm that specializes in catering to female investors commented that its strong focus on financial planning for women is paying off. All clients start with an initial discussion on goals and aspirations along with a detailed financial plan that is revisited four times a year. This model has been very successful for the firm: on average, 80% to 85% of their female clients who pay for financial planning as the initial service move a significant portion of their investment assets to the firm, and retention rates are four times higher than at traditional wealth management firms. Savvy advisors in large wealth management firms are also using goals-based planning as a firmwide strategy to attract women clients, gain their trust and build long-term relationships by focusing on financial needs over the course of a lifetime.

How are wealth managers responding?

To better understand how WM firms are prioritizing investments and initiatives targeting women, we interviewed executives across a broad range of wealth management firms in the US and Canada. Traditional wealth management firms are employing specific strategies for acquisition, service and retention of female clients while new entrants are deploying bold, game-changing strategies.



The segment strategies at traditional WM firms continue to evolve, but the strategic foundation revolves around four components.

1) Targeted content: developing content that is in sync with women's individualized needs. A large US-based private bank had conducted a survey of 250 women executives to understand their key needs. Surprisingly, the results showed that 30% had no will, 51% had no health proxy and 66% had no power of attorney. The firm seized on this gap to create educational material and train advisors to help women investors with these specific needs while building trusted relationships.

2) Affinity groups: establishing communities and forums for information sharing, focusing on awareness and education. Women & Co. and Citibank have formed a very successful partnership in this space. Women & Co. is a go-to personal finance source for women that delivers insightful content and customized commentary on financial topics from a female point of view.

Goldman Sachs has run a successful program, the 10,000 Women Initiative, designed to provide education, access to mentors and networks, and links to capital for 10,000 underserved women operating small businesses. The founding objective was to spur economic growth and build stronger communities by opening doors for women whose financial and practical circumstances would otherwise prevent them from access to networks and education. Forums such as these foster loyalty to the wealth management firm and result in high-quality referrals.

3) Coaching male advisors: working with current advisors to coach them on engaging with women clients through training, one-on-one coaching and advisor forums to discuss leading practices. Much of the coaching centers around unwritten rules and behavioral differences.

Interestingly, one of the key coaching points is perseverance because acquiring female clients takes longer than male clients. A WM sales executive focused on advisor coaching noted that acquiring women clients requires more effort, but the higher retention and referral rates make it worthwhile for the advisor. Another common coaching point is teaching male advisors to ask female clients for referrals. An executive at a large wealth management firm shared that male advisors mostly ask their male clients for referrals even though female clients are more likely to provide higher-quality referrals.

4) Recruiting more female advisors: the financial advisor profession is male-dominated and more than 75% of advisors are male, according to the Bureau of Labor Statistics. There is a prevailing sentiment that female advisors will be able to better connect with at least some female clients. To that end, there has been a strategic push from the top of the house at some of the largest wealth management firms in both the US and Canada to aggressively hire this underrepresented advisor segment.

In contrast, new entrants are betting on innovative but unproven strategies. SheCapital is a recently launched robo advisor that is exclusively focused on educating and serving women through their life stages. Aligned with its focus on education and empowerment, SheCapital donates 10% of its profits to She's the First, a nonprofit organization that sponsors girls' education in developing countries, helping them to be the first in their families to graduate from school. They are appealing to women's desire to support firms and organizations that give back to society. It is too soon to tell whether this is a formula for success.

High-profile female Wall Street executives have also entered the arena. *Fortune* reported in September 2015 that Sallie Krawcheck, former Wall Street executive, has raised $10 million in funding to launch Ellevest, a new digital investment platform for women. Her backers include big names such as Mohamed El-Erian, chief economic advisor at Allianz and the former CEO of PIMCO, and Brian Finn, former president of Credit Suisse First Boston. "Ellevest will be unlike anything else out there and will empower women to take financial control of their lives," Krawcheck said. Krawcheck also launched an impact investing fund that invests in the top-rated companies for advancing women.

The successful formula will be one that recognizes that all women do not have the same needs and should not be treated as a homogenous group. The needs of women vary significantly based on personal situation, lifestyle choices and sources of wealth. This requires advisors to take the time to learn about the different characteristics of female clients and understand key issues that can impact their financial needs and goals. Marketing to women is a combination of science and art — the use of targeted and differentiated marketing strategies will have greater success in pursuing this underserved segment.

What is the payoff?

In order for firms to succeed with women investors, there needs to be a culture shift across the board to see women as major buyers and decision-makers. All the WM firms we interviewed across the US and Canada highlighted that they are struggling with collecting and tracking metrics regarding the success of women-related initiatives. WM firms will benefit from greater focus on data analytics, which is the science behind the art of client acquisition and retention strategy and ensuring ROI.

Armed only with anecdotal results on pockets of success, these firms are betting that their targeted strategies will result in increased share of the women segment as well as greater referral and retention rates. One firm we interviewed shared that female clients tend to make referrals at a significantly higher rate than male clients. Yet, most advisors do not ask their women clients for referrals. WM firms are now mobilizing not only to capture lost opportunities but also to accept the power and influence of this untapped but growing segment.

Contacts

Nalika Nanayakkara
Principal, New York
Ernst & Young LLP
nalika.nanayakkara@ey.com
+1 212 773 1097

Rashmi Singh
Senior Manager, New York
Ernst & Young LLP
rashmi.singh@ey.com
+1 212 773 7812

Gregory Smith
Partner, Toronto
Ernst & Young LLP
gregory.smith@ca.ey.com
+1 416 943 4593

The need for wealth management firms to harness the power of women is a global phenomenon. Our next report, coming soon, explores this underserved market globally and also discusses how firms can address diversity and inclusiveness to win over women investors.

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