



# THE CHANGING LANDSCAPE OF THE FEMALE INVESTOR



This summer, movie-goers were fascinated by the story of Wonder Woman, an Amazon princess warrior destined to help save the world. In its first ten days, the movie earned over \$200 million in North America alone, surpassing the \$150 million film budget, and was the largest movie-opening ever for a female director.<sup>1</sup> The heightened interest in the female superhero should not be a surprise, as we have seen the role of women continue to gain prominence in all areas of life. According to the National Women's Business Council, as of 2012, there are 9,878,397 women-owned businesses in the United States, generating over \$1.4 trillion in receipts and employing about 8.5 million individuals.<sup>2</sup> Within the U.S., women control approximately 51% of personal wealth totaling \$14 trillion.<sup>3</sup> According to the CFA Institute, this number should rise towards \$18 trillion over the next few years<sup>4</sup> as women now comprise over 56% of undergraduate and post baccalaureate enrolled students.<sup>5</sup> With the increasing presence of women in the financial and investment world, how, if at all, should advisors approach this growing segment of their business?

In 1992, Dr. John Gray revolutionized the relationship between men and women with the infamous book, "Men are from Mars, Women are from Venus". He introduced the concept that men and women could be understood in very distinct ways based in part on the way they each view a relationship and how they respond differently to stresses. As an investment professional, there are lessons to be learned that although every investor would like to have financial success, for male and female investors, success could result in different outcomes and should be approached from different perspectives.

There are numerous studies and a tremendous amount of research on the topic of female investors. At Crossmark, we feel the most valuable information can be captured in four behaviors that generate the highest correlation to the female investor's satisfaction: 1. Understanding your client, 2. Solid communication, 3. Open and engaging education, and 4. Aligning investments with goals. It seems that these would be logical behaviors for any investment professional to use with their client and perhaps behaviors that advisors already incorporate into their business. However, the key is understanding that how you interact with a female investor through these four main behaviors will make the difference between forging a lasting relationship with the growing female client base and missing out on an entire client segment of the industry.



<sup>1</sup> Scott Mendelson, "Box Office: 'Wonder Woman' Nabs Smallest Superhero Drop Since 'Spider-Man'", 12 June 2017, <https://www.forbes.com> (15 June 2017)

<sup>2</sup> National Women's Business Council, "Annual Report – United We Thrive: Sustaining Our Momentum in Public and Private Arenas", December 2016, <https://www.nwbc.gov> (14 June 2017)

<sup>3</sup> Ernst & Young, "Women and wealth: The case for a customized approach", 2017. (14 June 2017)

<sup>4</sup> Ibid

<sup>5</sup> National Center for Education Statistics, <https://www.nces.ed.gov> (14 June 2017)

## Understanding Your Client

Let's look at the first key behavior, understanding your client. In Andrea Turner Moffitt's in-depth study of women investors as described in her book, "Harness the Power of the Purse", we learn that understanding the female investor has the absolute highest correlation with earning her trust and loyalty.<sup>6</sup> One of the factors to incorporate into your advisory relationship is that a woman's salary differs from a man's in timing. The gender pay gap is at a minimum and women's earnings at their highest when she is between the ages of 35-44. After 45 years of age, salaries tend to decline and the gender pay gap increases.<sup>7</sup> There are different theories on why this occurs, but a major factor appears to be the career path of many women. It has been shown that women, as compared to men, tend to leave the workforce around this age to care for young children or elderly relatives and then return to the workforce around 45 or 50 years of age with a lower salary than other labor force participants who continued to work throughout those years.<sup>8</sup> Additional factors include the typically longer life spans of women, the fact that women are the leading providers of child care, they tend to save slightly more than men, are more goal-oriented, may take on financial leadership for the first time following the death of a spouse or divorce, and female single parents have different financial responsibilities.<sup>9</sup>

One female investor stated that there was "a total disconnect" between herself and her advisory firm. This is not unusual as 44% of female wealth is currently unmanaged and 75% of women under the age of 40 do not utilize an investment professional.<sup>10</sup> It appears that much of the industry does not understand what is important to the female investor or how she makes decisions. It begins with asking the right questions. For the female investor, you must understand the path of her career, her family situation, her financial goals, the financial goals for her children, the responsibilities she has, and how she defines financial success. Although the majority of men see financial success as simply financial security, women tend to view it as a combination of security, independence and meeting specified goals.

Understanding what women strive for in other aspects of their life, including their career, will provide a context for what they want from their investments and gives advisors a framework to begin with. This framework then leads to solutions to the goals the client has presented. A Pershing study showed that while men invest with more of a performance goal in mind, women tend to invest more in terms of a purpose.<sup>11</sup> The female investor is much less interested in graphs on exact market performance and products per se than how these products will help them achieve the goals they have outlined.<sup>12</sup> Don't just give them a sales pitch, but focus on collaborative decision-making that informs them of the process, answers questions, addresses their goals and shows them a path towards their vision of financial success. Although this may take more time than advisors traditionally spent on client interactions, it will be well worth it in the end.

## Solid Communication

Once the client relationship has been established, you must foster this with solid communication skills, the second behavior that serves a key role with female investors. As discussed in the previous section, we know that on average, women do not respond well to product-centric sales pitches, but prefer to have a discussion on the purpose and goals of their investments. To accomplish this, investment professionals must be empathetic and strong listeners to their clients. Actively listen to what your client wants and be authentic – don't just follow a script and push products. One female entrepreneur expressed the following: "The first time I met our plan advisor, it was clear he was only asking me questions out of obligation, and didn't care about my concerns or expressed goals. It was incredibly frustrating".<sup>13</sup> Advisors should utilize effective communication by communicating on their client's terms based on her preferences, being patient as information is processed, asking questions and then addressing her concerns.

<sup>6</sup> Andrea Turner Moffitt, *Harness the Power of the Purse* (A vireo book/Rare Bird Books, 2015), 120-123.

<sup>7</sup> Kevin Miller, *The Simple Truth about the Gender Pay Gap* (Spring 2017), <http://www.aauw.org> (14 June 2017)

<sup>8</sup> Center for American Progress, <https://americanprogress.org>, (15 June 2017)

<sup>9</sup> Ernst & Young, "Women and wealth: The case for a customized approach", 2017. (14 June 2017)

<sup>10</sup> Andrea Turner Moffitt, *Harness the Power of the Purse* (A vireo book/Rare Bird Books, 2015), 9-14.

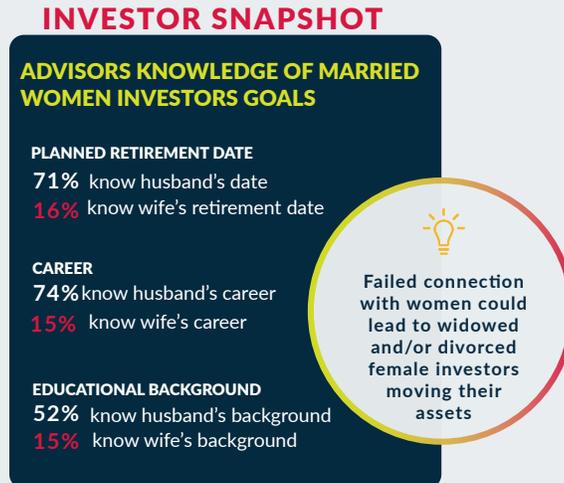
<sup>11</sup> Kelley Holland, "What Women Investors Want", 5 March 2015, <http://www.cnbc.com> (9 June 2017)

<sup>12</sup> Andrea Turner Moffitt, *Harness the Power of the Purse* (A vireo book/Rare Bird Books, 2015), 117-118.

<sup>13</sup> Andrea Turner Moffitt, *Harness the Power of the Purse* (A vireo book/Rare Bird Books, 2015), 124.

For married women, there tends to be a feeling that communication is geared towards the male in the relationship. One study showed that 71% of advisors surveyed said they knew the husband's planned retirement date, but only 16% of those same advisors knew that information for the wife. This trend is similar for many items such as career – 74% knew the husband's career and 15% knew the wife's – and education – 52% knew the husband's educational background with only 15% knowing the wife's.<sup>14</sup> With the majority of women outliving their spouse, failing to have a connection with both members of your client relationship will lead to divorced and widowed female investors moving their assets to someone they feel can better serve them.

A final element in improving client communication skills is to remember that women's goals, communication preferences and paths to decision-making vary by geography, generation and wealth. One example is digital communication. An Ernst & Young study shows that in North America, women are less comfortable with digital communications regarding their investments than men, except for millennials where the reverse is true. In Europe and Asia, there is not much difference, while in Latin America and especially in the Middle East, women actually prefer digital communication.<sup>15</sup> To ensure that communication does not become a barrier to your female client relationships, remember to use proper listening to determine their goals and then provide a solution. Practice active listening or listening to understand, focus on relationship-building questions instead of fact-finding questions to garner a higher level of trust with your client, and ask clarifying questions to truly understand the issues and how to best approach a solution to solve them.<sup>16</sup>



## Education

As a woman who has spent over twenty years in the investment industry, it was remarkable for me to realize the strikingly low confidence that women have in their investment prowess. This leads to the third behavior-to provide education to your female clients within an open and engaging atmosphere where they feel comfortable. The Center for Talent Innovation produced a report where a financial literacy assessment was given to both men and women and the pass rate was very similar at 39% and 35%, respectively. However, when asking these same individuals about their confidence in their investment knowledge, women were less confident by 20-50%. Some of this confidence gap can be attributed to women spending less time on investment activities due to the demands placed on them in other aspects of their lives. Many times, the focus is on career or other family issues and not on taking responsibility for family financial matters. This pattern has appeared to hold for multiple age groups, although we are now seeing a shift in Gen X and Millennial women who are more equal in taking on the financial leadership roles within the family unit, a trend that continues to grow.<sup>17</sup>

<sup>14</sup> TIAA-CREF, "Responsible Investment's biggest fans: Women and millennials (oh, and boomers)", 2015.

<sup>15</sup> Ernst & Young, "Women and wealth: The case for a customized approach", 2017. (14 June 2017)

<sup>16</sup> Kathleen Burns Kingsbury, Liz Niehaus, Jane Williams. "Maximizing a Major Opportunity: Engaging Female Clients", www.fidelity.com, 2015.

<sup>17</sup> Ellen Remmer, "Women Leading the Way in Impact Investing – A Call to Action", The Philanthropic Initiative, 2017.

In addition to confidence gaps between men and women overall, there are additional gaps amongst women depending on where they fall within the investing market. Those that produce their own wealth have the highest level of investment literacy at 43%, but only 23% of these same women feel confident in their investment and financial abilities. The numbers decrease from there with women under the age of 40 at a 14% confidence level and women connected to spouse-related wealth only 9% confident.<sup>18</sup> Such a low confidence level lends itself to the fact that on average, women tend to be more risk-averse in their investment choices.

This confidence gap not only relates to the investor's perception of their own knowledge, but in their confidence in reaching their investment goals. In a 2015 research study on women's financial behaviors, 75% of the women stated the importance of maintaining and funding their lifestyle through retirement, but a mere 14% were actually confident that they would be able to accomplish that goal. The results from this study were almost identical to the study from ten years prior with little advancement in closing the confidence gap.<sup>19</sup> To make a difference, an advisor's office should be a safe and non-judgmental place for open and honest communication regarding investments, how they work, why a particular strategy is better than another, what makes this the right investment for her, and how it applies to her goals. Use less jargon and more explanation while providing educational opportunities through seminars, meetings, and informational brochures to help close that educational gap for female investors.



## Aligning Investments with Goals

The final behavior that helps coalesce an improved approach to partnering with female investors is to help them align their investments with their life goals. This behavior is a culmination of the three we have discussed before. You must understand your client, effectively communicate, assist in providing education as needed, and then use all of the information gathered through those processes to determine the best investments that align with the policies, goals and priorities of these female investors as she has described them to you.

Research has shown that women want the same things from their investments that they want from their careers – an acknowledgement of their vision and their values.<sup>20</sup>

When evaluating the preferences of female investors, we see that 82% of women want to make a positive social impact through their investments that align with their own goals.<sup>21</sup> Although we are seeing more and more advisors realizing the importance of values-driven investing, only 34% of male advisors seek to provide financial returns that blend with environmental and social benefits to the client.<sup>22</sup> Such a lack of understanding leads to a disconnect between the goals of the investor and the strategy laid out by the advisor. A recent U.S. Trust survey of high net worth investors asked how important social, political or environmental impacts were in evaluating

<sup>18</sup> Andrea Turner Moffitt, *Harness the Power of the Purse* (A vireo book/Rare Bird Books, 2015), 43.

<sup>19</sup> Prudential Financial, "Financial Experience & Behaviors Among Women", [www.prudential.com](http://www.prudential.com), 2015.

<sup>20</sup> Andrea Turner Moffitt, *Harness the Power of the Purse* (A vireo book/Rare Bird Books, 2015), 37.

<sup>21</sup> Andrea Turner Moffitt, *Harness the Power of the Purse* (A vireo book/Rare Bird Books, 2015), 51.

<sup>22</sup> Gateways to Impact, "Industry Survey of Financial Advisors on Sustainable and Impact Investing", [www.gatewaystoimpact.org](http://www.gatewaystoimpact.org), June 2012 (14 June 2017).

investments. Such impacts were considered “somewhat” or “extremely” important by 65 percent of women but only 42 percent of men. Advisors must recognize that women often have different, if not stronger preferences about specific socially responsible lenses and are not afraid to move their investments elsewhere if those options are not available with their current advisor.<sup>23</sup>

The strength of values throughout the facets of a female investor’s life is also shown by the fact that women make up 75% of the non-profit workforce, a field where many women have a better opportunity to help achieve the work-life balance they desire.<sup>24</sup> This doesn’t mean that investment performance is not important to women, but rather financial success also includes the ability to help advance causes that are important to them as women, as mothers, and as productive members of their community. The goal is not just growing their investments, but growing them in a way that helps to further their goals and provide a social benefit that matches their values. There is a great opportunity for advisors to connect with their clients by providing products and investment opportunities that speak to their values and adhere to a strong code of ethics.<sup>25</sup>

So where does that leave us in how we interact and define client relationships? Do you have to completely alter your business model, do you have to run out and hire an all-female staff, or forget about the facts and figures of the market altogether? Of course not, but there are new ways to approach your client relationships that will allow you to build upon the ever-increasing percentage of investment clients and financial decision-makers that are female. Utilize the four major behaviors to foster a deeper connection with your client that will lead to greater trust, security and loyalty. Understand your female client and what makes her tick. Understand what drives her investments, her personal priorities and concerns, her time constraints, what her background is and how that will affect her approach to investments. Become an expert communicator by honestly engaging in conversations, be authentic and leave the script behind, actively listen, communicate how she is most comfortable, and allow her time to think through strategies and come to the best conclusion. Create an educational opportunity and a safe space where an investor that may not have the highest level of investment confidence can learn and express themselves, offer resources to assist your client, show respect and leave out jargon to help the client feel comfortable and relaxed. And finally, align your client’s financial goals with her life goals by offering products that further her values, providing investment success that translates into a meaningful contribution towards her goals. With this in mind, remember to continually communicate to update her life and investment goals as her life changes and needs must be modified. As women are more financially powerful than ever before and continue to produce more global wealth each year, firms must make a conscious effort to better connect with this ever-important group of investors, acknowledging their goals and priorities. Then, and only, then will advisors understand what makes the female investor different and how to provide an exceptional and fulfilling client experience.



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<sup>23</sup> (2013 U.S. Trust Insights on Wealth and Worth, Key Findings, survey conducted by independent research firm Phoenix Marketing International, March 2013.)

<sup>24</sup> Kim Williams, “Why Female CEOs Thrive in Nonprofits”, [www.forbes.com](http://www.forbes.com), 4 April 2015 (14 June 2017).

<sup>25</sup> Andrea Turner Moffitt, *Harness the Power of the Purse* (A vireo book/Rare Bird Books, 2015), 25-29.

## About Crossmark's 30 Year History

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