

Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth



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EXECUTIVE SUMMARY

Women create, control, and influence an enormous amount of wealth around the globe. The amount is staggering: upwards of \$20 trillion, or 27 percent of the world's total wealth.¹ In the US alone, women exercise decision-making control over \$11.2 trillion.² That's a whopping 39 percent of the nation's estimated \$28.6 trillion of investable assets.³ And nearly half of that purse—\$5.1 trillion—is managed solely by women. In the countries we sampled⁴—the United States, the United Kingdom, India, China, Singapore, and Hong Kong—66 percent of women identify themselves as primary decision makers over household investable assets. Female wealth creators are the most likely to describe themselves as primary decisions makers (as fully 75 percent do), but surprisingly, so too do 66 percent of inheritors and 43 percent of women whose spouse created their household wealth. Women are, in short, economic powerhouses. They are not just influencing wealth, but determining how their assets are allocated.

US PURSE: WOMEN CONTROL

\$11.2 trillion, or
39% of the nation's investable assets as decision makers, not just influencers

Women don't merely control the purse: they are filling it. Fully 62 percent of women in this global sample identify themselves as the primary source of household investable assets. Those assets are growing, too: a majority (58 percent) of female wealth creators across all six countries describe their financial situation as "increasing in assets." As more women become breadwinners and business owners who generate income and make financial decisions for their households, the power of the purse—and the market opportunity it represents—will grow exponentially.

66%

of women in the US, UK, India, China, Hong Kong, and Singapore identify as primary decision makers over household assets

Yet this robust female market is startlingly untapped. Fully 53 percent of the women we surveyed do not have financial advisors. Nearly half (47 percent) of US wealth creators

and an astounding 75 percent of women under 40 in the US report not having an advisor. This unmanaged purse represents, for banks, a massive missed opportunity, one that in the US alone may amount to more than \$5 trillion in assets “left on the table.” Women, too, are leaving money on the table, as unmanaged assets are typically underleveraged: women in the US with advisors hold, on average, only 9 percent of their portfolio in cash, while those without advisors have on average 20 percent in cash. Underleveraged capital represents for women a lost opportunity to fulfill their aspirations for themselves, their families, and their communities.

Of those women in our sample who do have advisors, 67 percent feel their advisor does not understand them—or is not interested in them. This trend holds true across all subsegments of the female market, irrespective of age and asset levels. Tapping the power of the purse depends, we find, on correcting industry misperceptions about female investors and an industry tendency to perceive women as a monolithic market.

The Gender Gap

Women differ from men in how they perceive wealth. They see wealth providing them with financial security and independence, just as men do. But once these priorities are met, women look to wealth to provide a larger basket of goods, not just for themselves and their families, but also for society at large. Fully 90 percent of women in our global sample say making a positive impact on society is important. They want both their time and their money to advance causes important to them, whether that’s investing in their families, their own businesses, investing in other women’s start-ups, or investing in socially responsible corporations. Women much more than men, at least in the developed world, want to invest according to their values: in the US and the UK, we find significant discrepancies between men and women’s desire to fund gender equality, diversity in leadership, and the environment. In the US, 52 percent of women (versus 42 percent of men) want to invest in organizations with diversity in senior leadership; the percentages are even higher throughout Asia, with 94 percent of women (and 93 percent men) in China keen to invest in diversity. Overall, 77 percent of women in our sample want to invest in companies with diversity in leadership.

Women don’t just differ from men. In important ways, they differ from each other. An heiress from the UK, we find, has a different investing framework and decision-making approach than an entrepreneur in China and a single Gen-X executive in the US. Women who create their wealth want different things from it than spouses and inheritors, and their priorities—we uncovered five—vary depending on where

UNTAPPED OR MISUNDERSTOOD

53%

of women surveyed do not have financial advisors

75%

of US women under 40 do not have financial advisors

67%

of women surveyed feel misunderstood by their financial advisor

FEMALE WEALTH: SELF-CREATED AND GROWING

62%

of women surveyed say they’re the source of their household assets

58%

of female wealth creators say their household assets are increasing

**IN CHINA AND HONG KONG,
WOMEN ARE AS LIKELY AS MEN
TO CHOOSE AN AGGRESSIVE
PORTFOLIO ALLOCATION**

they live, how old they are, and how much money they have. Women who create their own wealth tend to perceive it in terms of the financial independence, dream fulfillment, or career latitude it can buy: in the US, we found female creators are 67 percent more likely than men to see wealth as enabling greater career choice. Being able to finance a sabbatical or new business venture is of significant value to women, one that is often overlooked by advisors. We also find that inheritors accord more weight to charitable giving than wealth generators, although not necessarily more than spouses of wealth creators. Women under 40 are generally more confident and risk-tolerant than older women, as are women with assets of \$1 million or greater, although these trends don't hold true in all countries.

**US WOMEN ARE AS FINANCIALLY
LITERATE AS US MEN—BUT ARE
44% LESS LIKELY TO CONSIDER
THEMSELVES KNOWLEDGEABLE**

Women, like men, want good returns. They want their portfolios to perform. We find, however, that women's confidence in their financial acumen is a big factor in how they arrive at allocation decisions and how much risk they're inclined to assume. Women are as financially literate as men: in the US, for example, 35 percent of women and 39 percent of men passed our literacy assessment, with rates similarly close in other countries. But their confidence isn't commensurate with their acumen, particularly in the US and UK. American women, despite being among the most financially literate women in the world, are 44 percent less likely than American men to consider themselves knowledgeable. In contrast, Chinese women are virtually as confident in their acumen as Chinese men (64 percent versus 71 percent). Low confidence would appear to impede women's agency: in the US, we find that women donate less to causes important to them than they say they want to.

We also document major differences in women's appetite for risk-taking: in China and Hong Kong, we find women are as likely as men to choose an aggressive portfolio allocation, whereas in the US women are 29 percent more inclined than men to pick the most conservative portfolio allocation. Women's aversion to risk cannot be generalized or assumed to be higher than men's, as it varies depending on geography, generation, wealth level, and wage-earning status. In India, for example, men are dramatically more likely than women to perceive themselves as risk-averse (81 percent versus 52 percent), and yet neither group profiles as financially conservative in our survey.

In short, geography, generation, source of wealth, and asset level are all factors affecting how women perceive wealth and arrive at decisions about its allocation. Connecting to the female market requires that advisors discern how women differ from each other in what they want and how they wish to be advised.

90% of women surveyed say
"making a positive impact
on society is important"



77% of women surveyed
want to invest in
companies with diversity
in leadership

ADVISORS WHO HONOR A WOMAN'S FINANCIAL, PERSONAL, AND SOCIAL PRIORITIES ARE LIKELY TO WIN HER TRUST, SATISFACTION, AND LOYALTY

The Wealth Management Gap

What women everywhere want, in fact, is to be served, not marketed to. They want an inclusive environment—one where they feel welcome to ask questions and feel assured they're heard and understood. Advisors who understand and honor a woman's financial, personal, and social priorities are likely to win her trust, satisfaction, and loyalty.

Our global survey data clarifies which behaviors are likeliest to drive successful relationships. Advisors who are efficient—who are sensitive to women's time constraints and manage details women don't have time to attend to—are 69 percent more likely than advisors who aren't efficient to forge a satisfactory and enduring relationship (61 percent versus 36 percent). Advisors who take pains to understand their female client—who are keen to learn about

her, her family situation, her values, and her aspirations—are 42 percent more likely than advisors who don't to earn her trust and loyalty (64 percent versus 45 percent).

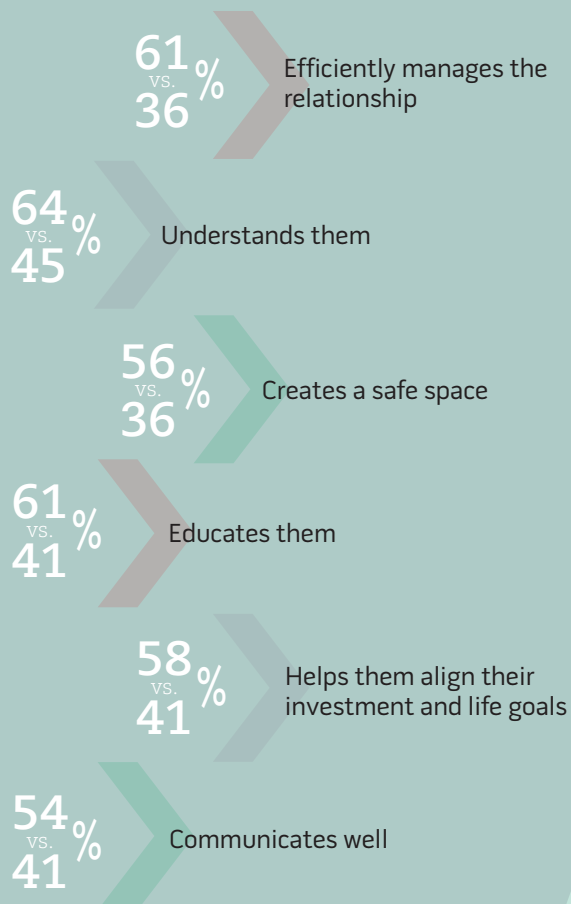
Advisors who create a safe space for questions and candid answers are 56 percent more likely than advisors who don't to forge a satisfactory relationship (56 percent versus 36 percent).

Those who educate a client by providing the information she needs to evaluate risk and make confident decisions are 49 percent more likely; those who help a client align her investment goals with her life goals are 41 percent more likely; and those who communicate well are 32 percent more likely to earn her trust, loyalty, and satisfaction.

We find female advisors and male advisors with “gender smarts” (insights gleaned from experience and/or study of women) tend to exhibit these winning behaviors. Advisors with gender smarts are 27 percent more likely than advisors without gender smarts to help clients align their investment and life goals and 30 percent more likely to take the time to educate their clients. These numbers underscore the importance of creating a speak-up/listen up culture for client interaction. Inclusive advisor behaviors encourage women to engage as decision makers, fully leverage their assets, and fulfill their personal and social agenda.

Harnessing this powerful cohort of impassioned female investors would seem fairly straightforward. Advisors must recognize women as wealth creators and decision makers, not just spouses and inheritors. They also need to understand how women in these subsets differ from each

FEMALE INVESTORS WHO ARE SATISFIED WHEN THEIR ADVISOR...*



* (% respondents whose advisor BEHAVES this way vs. % respondents whose advisor does NOT behave this way)

other. At the same time, banks might do more to close the confidence gap and empower and engage women as clients by improving the transparency of product offerings and creating client experiences and products that align with women's values and altruistic goals.

Financial services firms also need to ensure that leadership both embodies and embraces diversity in order to foment an inclusive culture where women contribute their ideas and socialize their gender smarts. Inclusive cultures drive bottom-line growth on two fronts: female employees innovate a business model that connects the firm to female investors, and female investors are more inclined to invest in firms with diversity in senior leadership.

Ultimately, as banks promote women, and women trust banks to manage their assets, a virtuous cycle kicks in that benefits both parties. Banks tap into a powerful and growing market. Women who leverage their wealth amplify their agency, driving positive social change. It's a win-win whose time has come.

WOMEN SEEK A LARGER BASKET OF GOODS

Men and women both want performance from their investments. But in addition to seeking financial security, financial independence, and a luxurious lifestyle, women want wealth to provide them with:

- **Latitude in career choice**
- **Funding to fulfill their aspirations and drive their agenda**

GENDER SMARTS MATTER WOMEN WHO SAY THEIR ADVISOR...

71%
vs.
56% | Helps them align
investment and life goals

60%
vs.
46% | Educates them

(% respondents whose advisor has gender smarts
vs. % respondents whose advisor does NOT have
gender smarts)

- 1 Peter Damisch et al., *Leveling the Playing Field: Upgrading the Wealth Management Experience for Women* (The Boston Consulting Group, July 2010), 1. <http://www.bcg.com/documents/file56704.pdf>
- 2 Decision-making status was computed by aggregating the number of female respondents who are primary (joint) decision makers over assets held in their name, assets held jointly, or assets held in someone else's name and dividing by the total number of respondents (men and women). This proportion is weighted by the amount of assets that respondents are primary (joint) decision makers over relative to the total amount of their household assets. Sample includes people who make at least \$100,000 annually or have at least \$500,000 in investable assets.
- 3 Federal Reserve Flow of Funds Report, 10/4/11-3/12/09, Tiburon Research & Analysis.
- 4 We surveyed men and women who have at least \$100,000 (USD) in income annually or at least \$500,000 (USD) in investable assets.

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