




WOMEN OF WEALTH

Why Does The Financial Services Industry Still Not Hear Them?

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The Family Wealth Advisors Council conducted one of the largest studies on affluent women ever undertaken. The results shed light on what successful women want from their financial advisor, how happy they are with that relationship, and what they worry about as they look to the future.



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Women are dissatisfied with the financial services industry. Many believe that their gender is a key factor in the disrespect and condescension they have often experienced and the poor financial advice they have received.



OVERVIEW

Both the amount of wealth controlled by women and the rate at which it is increasing are extraordinary – 95% of women will be their family's primary financial decision maker at some point in their lives.¹ Today, women control 51.3%, or \$14 trillion, in personal wealth, and that figure is expected to grow to \$22 trillion within the next decade.²

Women are leading Fortune 500 corporations, winning top political posts and enjoying more career choices than ever before. By 2030, women will control two-thirds of the nation's wealth – a result of strong organic growth rates buoyed by trillions in generational and spousal transfers.³

Despite these significant inroads and potential opportunities, barriers remain – particularly in the financial services industry. Women of wealth are more dissatisfied with this industry than in anything else that affects their daily lives.⁴ They believe their gender is a key factor in the disrespect and condescension they have often experienced and the poor financial advice they have received.⁵

Is it really 2011?

What does this mean for women and their finances?

How can the industry adapt to better serve the unique needs of successful women?

The Family Wealth Advisors Council (FWAC), a nationwide network of leading independent wealth management firms, sought answers to these questions, conducting a comprehensive study of affluent women. More than 550 successful women from 44 states weighed in on money, what they seek in a financial advisory relationship, and the critical issues they now face and anticipate.

1. Prudential Research Study, "Financial Experience and Behaviors Among Women" (2010-2011), available http://www.prudential.com/media/managed/Womens_Study_Final.pdf.

2. Fara Warner, *Power of the Purse: How Smart Businesses Are Adapting to the World's Most Important Consumers—Women* (FT Press 2005).

3. Mary Quist-Newins, "Untapped Market: Women May Be Gaining Economic Power, but They Still Feel Financial Planners Are Not Recognizing Their Potential" (March 1, 2010), available at www.financial-planning.com/fp_issues/2010_3/untapped-market-2665922-1.html.

4. The Boston Consulting Group, "Women Want More (in Financial Services)" (October 2009), available at www.bcg.com/documents/file31680.pdf.

5. The Boston Consulting Group, "Leveling the Playing Field: Upgrading the Wealth Management Experience for Women" (July 2010), available at www.bcg.com/documents/file56704.pdf.

OVERVIEW CONTINUED

The findings are clear:

- » Women who have gone through a significant transition have greater clarity about what they want in a financial advisory relationship.
- » The financial services industry needs to listen carefully to what each woman is saying and learn to meet her unique needs, instead of generalizing about “women’s issues.”
- » Although the financial services industry has said it is focusing more on women, most firms are still missing the mark. Only those that tailor their approach and services will succeed.

About the FWAC Women of Wealth Study Participants

Selection Process

The 551 women in the FWAC 2011 Women of Wealth (WoW) study were personally invited to participate by a FWAC member or a professional who works closely with a FWAC member firm. Invitations were extended to women who were known or perceived to be affluent (as defined by having a net worth greater than \$1 million).

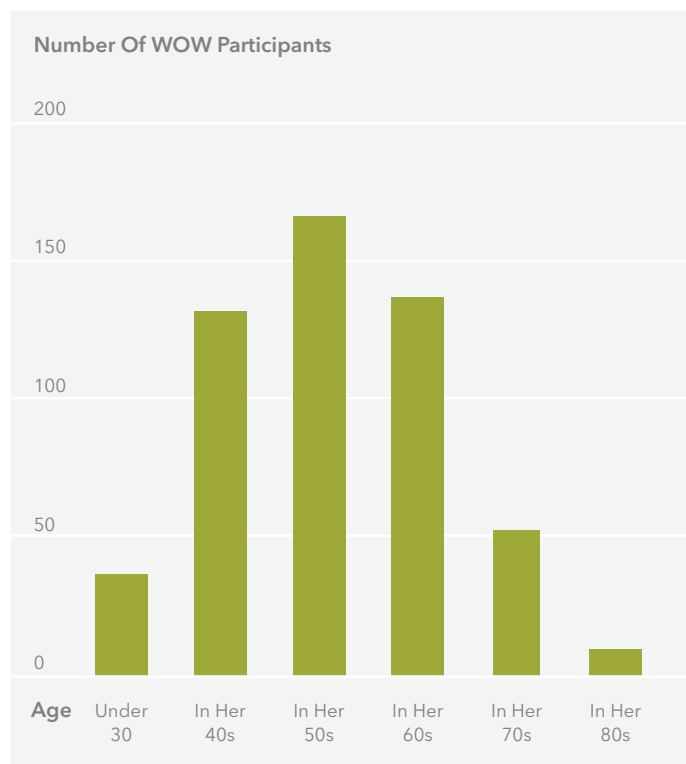
Geographic Diversity

Participants were drawn from across the United States, representing 44 states.

Although the financial services industry claims it is focusing more on women, most firms are still missing the mark. Only those that tailor their approach and services will succeed.

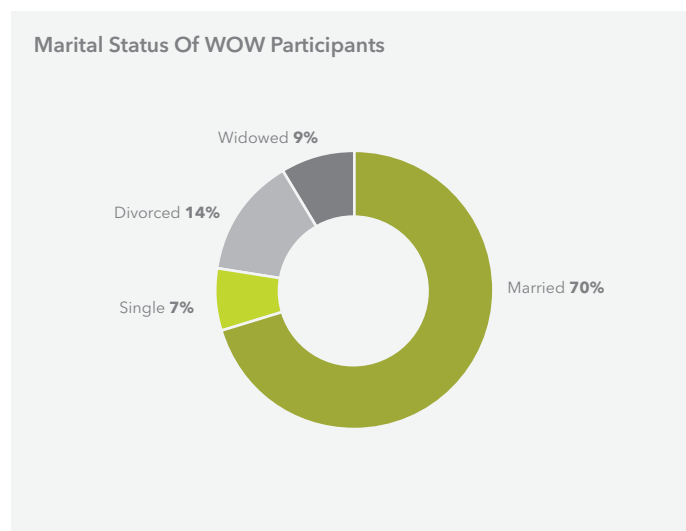
Age

Participant age varies, from 30 to over 80, but the average is 55.



Marital Status

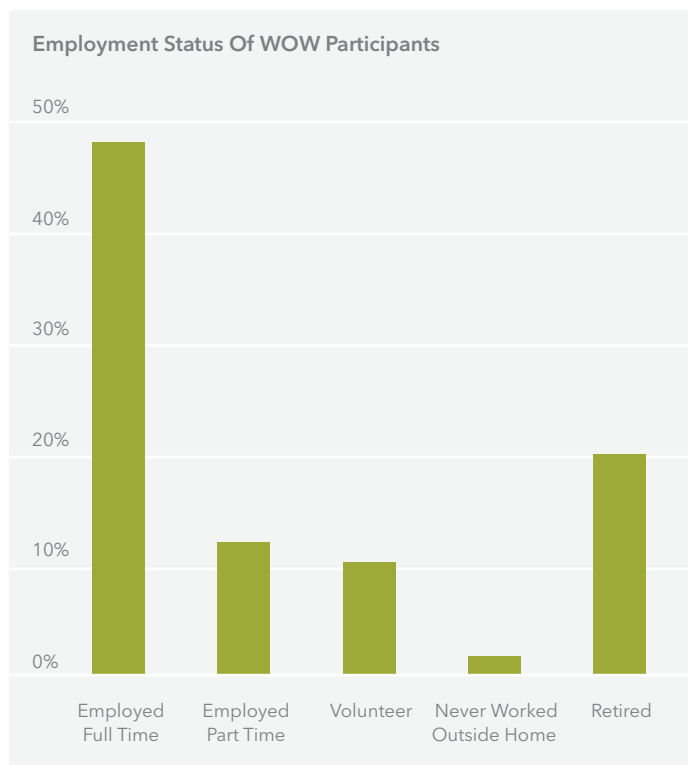
Seventy percent of WoW survey participants are married; a minority are divorced, widowed, or single.





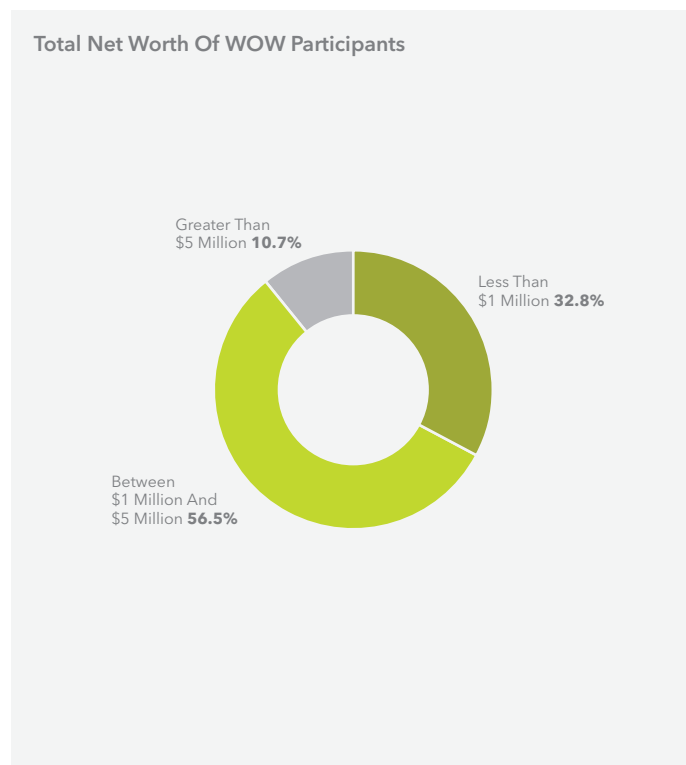
Employment Status

The majority of participants (48%) work full-time. A minority are retired, and the remainder have never worked outside the home, are active volunteers, or are employed part-time.



Total Net Worth

A majority (62%) of WoW respondents have a net worth greater than \$1 million, and 11% have a net worth greater than \$5 million.





Women don't just earn money – they largely control how it is spent. It is estimated that by 2030, at least two-thirds of the nation's wealth will be in women's hands.



SUCCESSFUL WOMEN: AN ECONOMIC POWERHOUSE

Women are an economic powerhouse. More women than men are pursuing higher educations, and they're working at higher-value jobs and living longer than men. Women drive an economic engine that has no chance of losing steam.

Financial empowerment begins in college, where women represent 57% of undergraduate college students and 60% of graduate students. For the first time in history, women now earn as many professional and doctoral degrees as men.⁶

Also for the first time in history, half of all U.S. workers are female, and mothers are the primary breadwinners in 4 out of 10 American families.⁷ The \$12 trillion women earn today is projected to grow to \$18 trillion in just five years.⁸

Women don't just earn the money in the family – they largely control how it is spent. Sixty-seven percent of women manage the family budget, and women collectively control \$20 trillion of consumer spending, a number projected to climb to \$28 trillion in the next five years.⁹ Women are responsible for 83% of all consumer purchases and indicate that quality is the most important factor when making a major purchase, followed by price and service.¹⁰ Clearly, women have major purchasing power.

The fact that women can still expect to live about five years longer than men means that many women will be in a position of controlling their wealth whether or not they are ready to do so. In fact, 80% of men die married, while 80% of women die single.¹¹ Nearly 700,000 women lose their husbands each year, and those who are widowed outlive their husbands by an average of 14 years.¹² Consequently, some estimate that up to \$25 trillion will accrue to women through 2030 via generational and spousal transfers.¹³ By then, at least two-thirds of the nation's wealth will be in women's hands.

6. American Council on Education.

7. "The Shriver Report: A Woman's Nation Changes Everything," Center for American Progress (October 2009), available at www.americanprogress.org/issues/2009/10/womans_nation.html.

8. The Boston Consulting Group, "Women Want More (in Financial Services)" (October 2009), available at www.bcg.com/documents/file31680.pdf.

9. The Boston Consulting Group, "Leveling the Playing Field: Upgrading the Wealth Management Experience for Women" (July 2010), available at www.bcg.com/documents/file56704.pdf.

10. The Boston Consulting Group, "Leveling the Playing Field: Upgrading the Wealth Management Experience for Women" (July 2010), available at www.bcg.com/documents/file56704.pdf.

11. Manisha Thakor and Sharon Kedar, *On My Own Two Feet* (2007).

12. U.S. Bureau of the Census, 1999

13. Mary Quist-Newins, "Untapped Market: Women May Be Gaining Economic Power, but They Still Feel Financial Planners Are Not Recognizing Their Potential" (March 1, 2010), available at www.financial-planning.com/fp_issues/2010_3/untapped-market-2665922-1.html.

SUCCESSFUL WOMEN: AN ECONOMIC POWERHOUSE CONTINUED

Powerful Women

- » Approximately 1 billion women participate in the global workforce – a number that will grow to 1.2 billion over the next five years.
- » In 2008-2009, women were running more than 10 million businesses, with combined sales of \$1.1 trillion. Women-owned companies are pivotal to economic growth, and they are projected to create more than half of the nearly 10 million new small-business jobs by 2018.
- » Women entrepreneurs are starting businesses at more than twice the rate of men, and the number of women-owned companies with revenues of more than \$10 million has grown about 40% since 1997.
- » In 2008, women held 15.2% of directorships at Fortune 500 companies, up from 14.8% in 2007.
- » As of 2011, 88 women serve in the U.S. Congress, 17 in the Senate and 71 in the House. Women hold 69 statewide elective posts, and state legislatures are 23.4% female.
- » Women under 30 are earning higher salaries than men in all but three of the 150 biggest cities in the United States.
- » Women account for more than 40% of all Americans with gross investable assets of more than \$600,000, and constitute 48% of the country's millionaires.

Sources: BCG, The Shriver Report, Catalyst, Center for American Women and Politics, American Council on Education, Source Media, Oppenheimer, Time Magazine



For financial advisors, affluent women represent a huge and growing opportunity.

- » Highly educated women with a net worth of more than \$500,000 represent one of the biggest growth opportunities for independent financial advisors.¹⁴
- » Women are more likely than men to prefer working with a financial advisor.¹⁵
- » Women are more likely than men to rely on an advisor as their primary source of financial advice.¹⁶
- » Only 5% of ultra-high-net-worth women do not use an advisor.¹⁷

Eighty-four percent of the WoW study participants feel that their financial advisor can make a significant impact on their financial well-being. Only 9% of the women are not currently working with a financial advisor.



14. The Boston Consulting Group, "Women Want More (in Financial Services)" (October 2009), available at www.bcg.com/documents/file31680.pdf.

15. Russ Alan Prince & Hannah Shaw Grove, *Women of Wealth* (Nat'l Underwriter Co. 2004).

16. Oppenheimer Funds, "Women and Investing" survey (2006)

17. Spectrem Group, "Wealthy Women Investors" (2011)



"We've had four financial advisors in the last 20 years. Unfortunately, both women failed to meet our expectations as did one of the men; (we only just now have found someone we can trust.)"

- 63-year-old retiree from North Carolina



FINANCIAL SERVICES INDUSTRY: HEAD IN THE SAND?

The financial services industry knows it must speak to women's needs. However, it has largely failed to make the meaningful changes required to connect with women and serve them well.

- » Only one in three women trusts financial services professionals, and three in four women are skeptical when first meeting with a financial professional.¹⁸
- » One in three women wants to strengthen her financial-planning skills but "just doesn't know where to begin."¹⁹
- » More than 60% of women in America have little or no confidence in Wall Street.²⁰
- » It is estimated that 70% of widowed women change their financial advisor within a year of their spouse's death.²¹

Clearly, women don't trust the financial services industry.

Lip service on "women's issues" has failed; the industry must meaningfully change both the services they provide to women and how it provides them. Even if firms have good messaging and strong web sites, they are failing for three primary reasons:

1. They attempt to target all women with the same messaging and services, ignoring the fact that there are many types of women with completely different needs who are looking for a variety of services depending on their situation.
2. They do not have the professionals in place to deliver a trusted advisor experience.
3. They are trying to standardize the service experience and sell a product platform, neither of which appeals to women.

As one advisor put it, "Changing the font to pink doesn't change the service."

Of critical importance is that women do not see themselves as being part of a homogenous group. And why should they? A recent graduate who has student loan debt and is participating in a company 401(k) plan for the first time does not have the same needs as a married woman with children or a widow living off insurance proceeds.

18. State Farm Insurance, "Many Women Would Rather See the Dentist Than Talk Money with Their Spouse" (December 2008), available at www.statefarm.com/aboutus/_pressreleases/2008/women_rather_see_dentist_than_talk_money.asp.

19. Allianz Life Insurance Co. of North America, "Women, Money and Power" (June 2008), available at www.allianzlife.com/womenmoneypower/main3_5.html.

20. Zogby International Study (June 2010).

21. Allianz Life Insurance Co. of North America, "Women, Money and Power" (June 2008), available at www.allianzlife.com/womenmoneypower/main3_5.html.

FINANCIAL SERVICES INDUSTRY: HEAD IN THE SAND? CONTINUED

The most compelling conclusion one can draw from the FWAC Women of Wealth study is that a one-size-fits-all approach does not work. An overwhelming majority of the women indicate that they want an authentic advisory experience relevant to their individual situation. Specifically, they want:

- » To be understood in terms of their unique profile and values.
- » To be communicated with clearly and intelligently without being talked down to.
- » To work with someone who recognizes the importance of an authentic relationship.²²

While the WoW study illustrates that women know what they want, the financial services industry has failed. The question is, why?

What don't financial advisors understand?


What do the different categories of women want?



22. The Boston Consulting Group, "Women Want More (in Financial Services)" (October 2009), available at www.bcg.com/documents/file31680.pdf.



Women do not see themselves as being part of a homogenous group. An overwhelming majority of women indicate that they want an authentic advisory experience relevant to their unique and individual situation.



Transition issues such as death of a spouse, divorce, career change, retirement and the pressures associated with being part of the “sandwich generation” emerge as major themes in the WoW study.



CRITICAL ISSUES FACING WOMEN: THEIR MONEY JOURNEY DEFINES THEIR NEEDS AND EXPECTATIONS

The WoW study delves deeply into the critical issues facing successful women today. Transition issues such as death of a spouse, divorce, career change, retirement and the pressures associated with being part of the “sandwich generation” emerge as major themes. These events define what women need from their financial advisor and influence what type of advisor they seek. In addition, women’s preferences and concerns with regard to financial issues and advisors differ markedly depending on marital status, employment status, net worth and expected versus unexpected transitions. These differences have implications for the success of the advisor-client relationship and are discussed in more detail below.

What Worries Married Women?

Health and Death

Health challenges are a major perceived risk for 54% of married WoW respondents; 33% consider the death of their spouse to be a major risk. These women understand the need to plan carefully for an uncertain future.

However, in many cases, advisors have regarded the husband as the “primary” client and failed to see the woman as a client with her own concerns. It is no wonder that an estimated 70% of women who are widowed change advisors within one year.

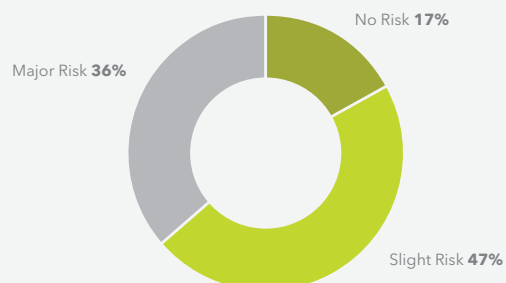
Legacy advisors must be sympathetic to a grieving process that often leaves the widow with short-term memory loss, and they must tailor their approach to a new client – the wife. We recommend that all advisors spend time with women while their husbands are still alive, ensuring that each spouse is well-versed in the family investments and their financial plan. Women who have been empowered and prepared by their advisors will be less inclined to switch advisors in the event that they are widowed.

CRITICAL ISSUES FACING WOMEN: THEIR MONEY JOURNEY DEFINES THEIR NEEDS AND EXPECTATIONS CONTINUED

Percieved Risk Of Personal Or Spouse Health Challenges For Married Women



Percieved Risk Of Death Of A Spouse For Married Women



"[My biggest challenge] was the death of my spouse, which led to making major financial and estate-planning decisions and finding trustworthy advisors in all areas."

– 65-year-old widow from Ohio



CASE STUDY

Judy, an Overwhelmed Widow

Judy suddenly and unexpectedly lost her husband of many years. She was left with \$3 million in investable assets and a total net worth of \$5 million. Judy's husband had the primary relationship with their financial advisor, Dean, and often attended meetings with him alone. Judy had little knowledge of her and her husband's investments or other details of their financial plans.

While dealing with the grief of losing her husband, Judy was overwhelmed by the acronyms and terms Dean tossed around. She was shocked by all the requests for information as she tried to get her husband's financial affairs in order. From insurance and IRAs to bank accounts and benefits, it felt as though everyone needed some obscure document. Judy was also worried about running out of money because, although she understood her cash-flow needs, she wasn't sure how or if her portfolio would support it.

Feeling besieged and misunderstood, Judy fired Dean and looked for an advisor who would empathize with what she was going through, asking a close friend if she knew an advisor who could help her. Judy was delighted when one of the advisors she met with, Matt, spent the entire first meeting just asking questions and listening to her concerns. She felt heard, more comfortable, more knowledgeable and more in control.

After the initial meeting, Matt coordinated all of Judy's other advisors in an effort to simplify and facilitate as many of the transition requirements as possible. He created a one-page summary of all the necessary transitions of financial assets and accounts, including columns for accounts, transition required, person responsible for completing it, due date and status. Matt also obtained letters of authorization where possible so that he could complete paperwork on Judy's behalf.

After hearing about Judy's cash-flow concerns, Matt reduced the lengthy distribution plan used for most clients to a one-page summary illustrating what Judy could safely withdraw from her portfolio without invading principal. Judy was relieved when she learned she would be comfortable and able to enjoy the lifestyle she and her husband had built during their marriage.

Judy was extremely grateful to Matt and his firm for the great work he and his team did for her during this difficult time. She appreciated the customized approach and assistance in areas that were most important to her. Judy remains an enthusiastic and loyal client of the firm.

The widows' perspectives in the WoW study reveal markedly different needs, expectations and preferences than their married, divorced or single counterparts.

* Names and identifying details have been changed to preserve the anonymity of study participants.

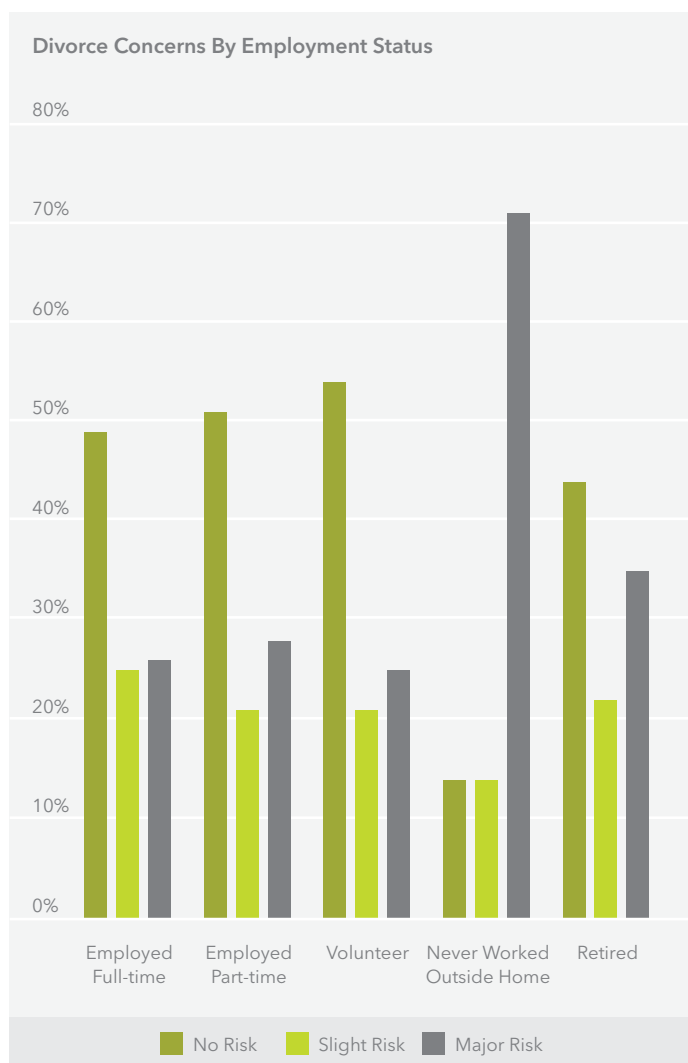
CRITICAL ISSUES FACING WOMEN: THEIR MONEY JOURNEY DEFINES THEIR NEEDS AND EXPECTATIONS CONTINUED

Divorce

Married women are also concerned about divorce. It is widely reported that half of all marriages end in divorce, and this statistic plays out in the WoW study. Of the married participants, 57% feel that divorce poses a significant risk to their financial future.

Participants employed full-time or part-time, or those who volunteered, are the least concerned about divorce. On the other hand, 71% of women who have never worked outside the home consider divorce a major risk. This figure is more than double that of retired women, the next highest category, in which 34.8% believe divorce is a major risk.

In the WoW study, four times as many divorced women worked full-time when compared to single, married or widowed women, a view into just how dramatically divorce can damage women's financial security.



"I have to stop giving away my power (not managing our family finances and tracking the money and investments). I am a successful lawyer who believed in the sanctity of marriage, [but] now I am going through a divorce and don't have the same financial resources to maintain my lifestyle for me and my kids."

– 46-year-old woman from Ohio going through a divorce

"I need to continue rebuilding after my divorce."

– 40-year divorced woman from Ohio



What Worries Working Women?

The Bureau of Labor Statistics reports that men and women currently entering the workforce will have an average of about 14 jobs by the time they turn 40. As the pace of change continues to accelerate across industries, women increasingly need to reinvent themselves to succeed at work.

In the WoW study, dozens of working women indicate that a career change is a top concern in the coming year. Whether working toward a promotion within their company, transitioning back into the workforce after taking time off for childrearing, or switching to a completely new career, many participants are planning for change. The fact that the typical woman spends ten years out of the workforce for caregiving, compared to two years spent by the typical man,²³ makes career course changes all the more formidable for women.

"I took time off when my children were born, but when my daughter was nearly three years old, I longed to go back to work. I was grateful to have a secure job when my husband and I decided to divorce a few years later."

– 44-year-old divorcee from California

"[My most significant challenge will be] a career change and purchasing a new business."

– 35-year-old married woman from Virginia

23. Gov. Elizabeth A. Duke, Speech at the Consumer Credit Counseling Services of Delaware Valley Financially Hers Program in Philadelphia (May 2010), available at www.federalreserve.gov/newsevents/speech/duke20100501a.htm.

CRITICAL ISSUES FACING WOMEN: THEIR MONEY JOURNEY DEFINES THEIR NEEDS AND EXPECTATIONS CONTINUED

Working women expressed significant anxiety about undesirable and unexpected career change. In the WoW study, 86.2% of working women consider obsolete careers and eroding earning power as risks to their financial success.

"My most significant challenge will be my career becoming obsolete due to the changing medical climate and the rise of mid-level providers."

– 51-year-old woman from Hawaii

While all participants seek referrals from their advisors for other professionals, particularly for tax and estate needs, career women look for more advice on career planning and human capital growth, as well as more guidance on life insurance and retirement/benefit plans (401(k) and 403(b), deferred compensation, stock options, and stock grants). Because these women view their time as limited, they highly value an advisory relationship that can give them this additional assistance.

The Sandwich Generation: Caring for the Young While Tending to the Old

Many women are caught between two generations who need their support, energy and time: their young children and their aging parents.

Nearly 10 million Americans over the age of 50 are caring for aging parents, at an average cost of \$324,044 in lost wages and Social Security benefits for women and \$283,716 for men.²⁴ Women lose more than men in earnings and benefits because they are more likely to drop out of the workplace for a number of years or reduce their hours to care for their parents.

In the WoW study, the majority of women identify the single most significant transition challenge in the next year as providing financially and emotionally for both their children and their parents.

"I don't see my aging parents as a financial transition but as a new time obligation."

– 47-year-old married woman from Virginia

24. MetLife, National Alliance for Caregiving and New York Medical College, "Parental Caregiving Is Costing Baby Boomers Money, Opportunities" (June 14, 2011), available through Financial Planning at www.financial-planning.com/news/baby-boomers-retirement-caregiving-healthcare-costs-2673823-1.html.



"I have two young children, and not only do we have to save for college in the future, we have to pay private school tuition in the present."

– 42-year-old married woman from California

More than 80% of women who are either married or divorced believe they will be called upon at some point to help one or more of their children in crisis. Surprisingly, 32% of the single women also expected that they will need to help children in crisis – which raises an important point: advisors must be sensitive to the many demands on single women, even if they are childless. They should not assume just because a woman is childless that she is not part of the sandwich generation. These women might be called upon to help with other family members who expect or need much of her time and, potentially, her financial resources.

What Worries Retired Women?

Providing for a Comfortable Future

The retired women in the WoW study are even more anxious about many of the issues described above, as well as the possibility that they might not have saved enough for retirement. An astonishing 81.2% of retirees see a potential decline in the economy as a major risk, versus 45.1% of full-time working women who feel that way. Further, 51.9% of retirees worry about overpaying for a major asset, versus 36.3% of full-time working women. Perhaps because of this anxiety, 92.2% of retired women believe it is critically important for their advisor to develop an investment strategy unique to their personal situation, compared to 79.5% of full-time working women.

Retired women have more clarity about what they are looking for in terms of a financial advisor than do other categories of women. More retired women chose the holistic approach of a wealth manager over the other advisory models – 71% of retired women worked with a wealth manager versus 42.5% of working women.

The affluent women in the WoW study worry about a range of issues, including the responsibilities of caring for young children and aging parents, an uncertain economic outlook and concerns about the soundness of their financial plans.

CRITICAL ISSUES FACING WOMEN: THEIR MONEY JOURNEY DEFINES THEIR NEEDS AND EXPECTATIONS CONTINUED

Consistent with their desire for comprehensive wealth management, 54.6% of the retired women feel it is critically important for their financial advisor to act as a quarterback with their other advisors, versus only 37.3% of working women who feel that way. Perhaps because they have done more due diligence in the advisory selection process, almost twice as many retired women as working women believe it is critically important that their advisor be fee-only (meaning they do not sell any products or make any commission).

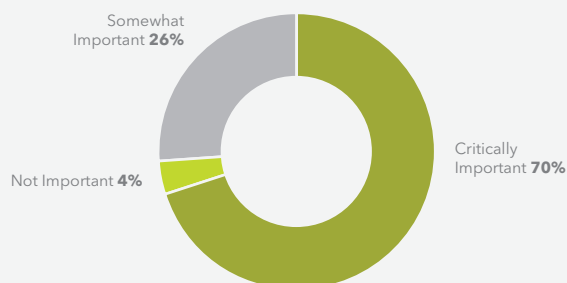
Given that retirement is a significant life transition, women would do well to do their homework before choosing an advisor.

What Do Women Want in a Financial Advisor?

Understand Them as a Whole Person

A shared view among the WoW participants is that advisors had to fully understand their unique situations and respond accordingly. No matter where women were on their life's journey, 96% believe it is important for their financial advisors to spend a significant amount of time up-front to understand their entire life picture, not just their finances. Additional concerns are discussed below.

How Important Is It For You That Your Advisor Spend Significant Time And Effort Up-front To Understand Your Entire Life Picture?



Do Women Care about the Gender of Their Advisor?

No - with Some Major Exceptions

Many studies investigating whether women prefer to work with female financial advisors have found that other criteria are more important than gender, and for most categories of women the WoW study concurs. Among married and single women, more than 90% do not have a preference about the gender of their advisor.

In the WoW study, 1 in 4 divorcees and widows have a strong preference regarding the gender of their advisor, most preferring to work with another woman.

"Competency and honesty are more important than gender."

– 56-year-old single woman
from New Hampshire



"I want the best advice from a person I trust and connect with."

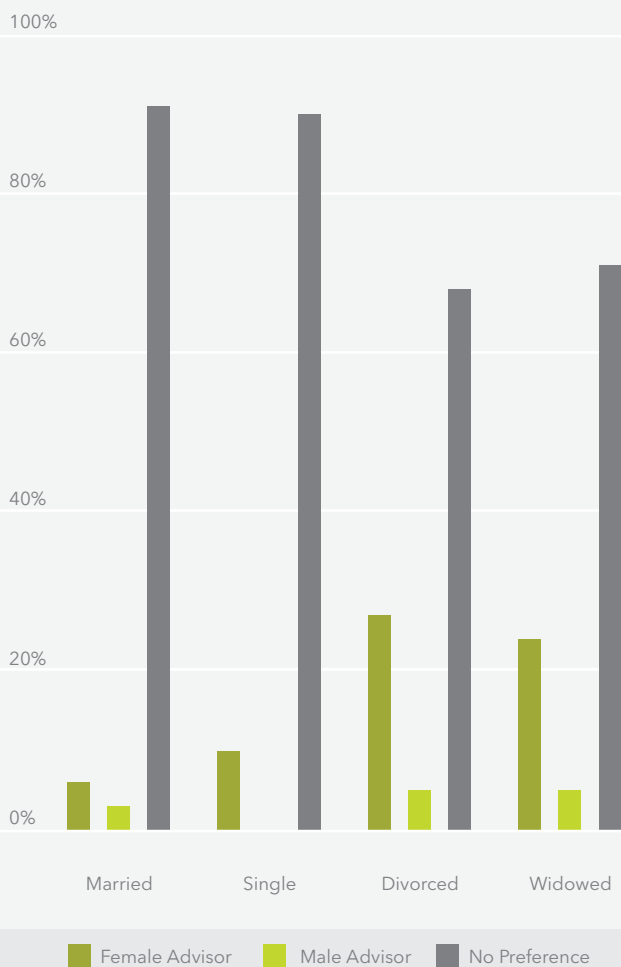
– 53-year-old married woman from Colorado

"Gender has little to do with brains, experience or understanding financial issues."

– 55-year-old married woman from Ohio

However, gender does matter for a significant subset of divorcees and widows. In the WoW study, 1 in 4 divorcees and widows feel strongly about the gender of their advisor. Most preferred another woman, citing as reasons that women have better listening skills and could relate better to their situation.

Preference For Advisor Gender By Status



"A female advisor understands what support women need and related concerns. She would be a partner in decisions – not just a person telling me what to do."

– 69-year-old widow from Oregon

"[I prefer a woman] because men and women often approach money matters from different perspectives."

– 70-year-old widow from North Carolina

"Women of today know what they want. Women advisors know that women do not expect to be patronized by men who think women do not understand."

– 68-year-old divorcee from Oregon

CRITICAL ISSUES FACING WOMEN: THEIR MONEY JOURNEY DEFINES THEIR NEEDS AND EXPECTATIONS CONTINUED

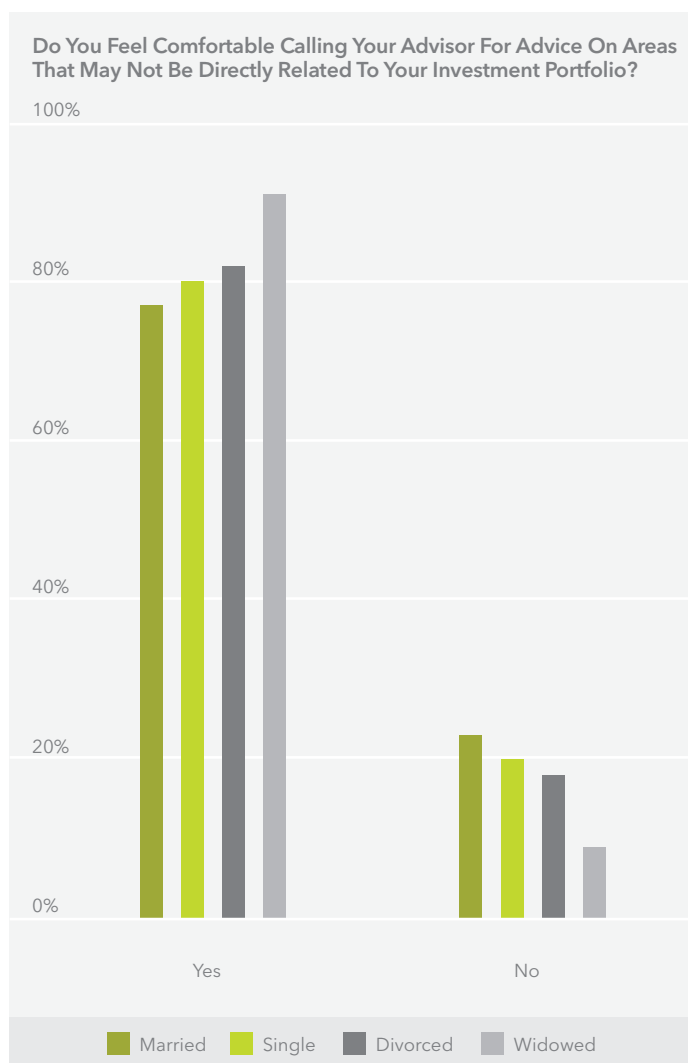
What Kind of Relationship Do Women Want with an Advisor?

In the WoW study, almost a quarter of married women do not feel comfortable calling their advisor for advice not directly related to their portfolio. In contrast, most of the single, divorced or widowed participants feel comfortable enough with their advisor to reach out on non-financial matters. This discrepancy likely relates to how advisors frequently consider the husband the primary client and may not have connected with the wife.

Look Out for Their Interests, Honesty

Nearly 95 percent of women in the WoW study place a very high priority on communication and being understood. Women want their advisor to spend significant time and effort up-front to fully understand their entire life, not just their financial picture.

Consistently at the top of women's priorities list of qualities in an advisor was looking out for clients' best interests (90.4%), followed by being honest (79.4%) and, finally, just listening (73.2%).



"I want someone who will listen to me."

– 66-year-old married women from Arizona

"Building trust is the most important factor."

– 71-year-old widow from Washington

"I'm looking for competence, integrity and an unbiased opinion."

– 48-year-old married woman from North Carolina



Ability to Coordinate Multiple Advisory Voices

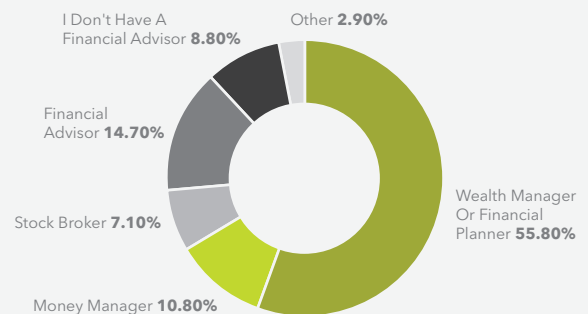
Women who have gone through a major life transition have developed a particularly clear definition of what they expect from their advisor. The type of advisor they seek is dictated by the specific services and advice women are looking for. For example, more than two times as many retired women as full-time working women believe it is critically important for their advisor to act as “quarterback,” coordinating all the advisors on their team (e.g., attorney, accountant, insurance agent). Retired women chose collaborative wealth managers twice as often as working women did.

Another life transition group, widows, also highly value the quarterback model. They choose wealth managers disproportionately over other types of advisors as compared to their married peers. Both retirees and widows believe that it is critically important that their financial advisor have access to world-class investment or financial planning solutions.

The wealth management model is clearly making an impact – successful women, regardless of whether they were married, single, divorced or widowed, chose a wealth manager over a stockbroker or money manager 2 to 1.

Women also value the networks of their financial advisor. In fact, nearly half of all women surveyed feel it was critically important that their advisor coordinate all the advisors on their team, including attorneys, accountants and insurance agents. This was especially important for women who have never worked outside the home.

How Would You Describe Your Primary Financial Advisor?



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CRITICAL ISSUES FACING WOMEN: THEIR MONEY JOURNEY DEFINES THEIR NEEDS AND EXPECTATIONS CONTINUED

Women Who Think It Is Critically Important That Their Advisor Acts As "Quarterback" Coordinating All The Advisors On Her Team

100%

80%

60%

40%

20%

0%

Employed Full Time Employed Part Time Never Worked Outside Home Volunteer Retired

Do Working Women Need Different Advisors?

They More Often Seek Convenience and Many See Themselves as Their Own Advisor

There are some surprising trends among working women and what they seek from the financial services industry versus retired women, those who volunteer and those who have never worked. First, a full 14.1% of the working women surveyed do not have a financial advisor, whereas all the retired women or women who never worked outside the home are working with a financial advisor.

Working women do not show the same preference for a wealth manager as almost any other category of women. Employed women more often work with financial planners and stockbrokers.

Percent Of Woman That Use A Wealth Manager By Employment Status

100%

80%

60%

40%

20%

0%

Employed Full-time Employed Part-time Volunteer Never Worked Outside Home Retired

"Our financial manager is a one-stop resource. He provides estate planning, insurance recommendations, tax preparation and college funding levels."

– 47-year-old married woman from Virginia



CASE STUDY

The Byrnes Family: A Young Family Yearns for More Time

The Byrnes are a busy young family. Samantha is a working mother with the lead career; Patrick is a working father. They have two young children, ages 5 and 7. They have accumulated \$1.5 million in investable assets, significant stock grants and options. They are considering a financial advisor to help them find more of their most precious commodity - family time.

Samantha and Patrick were extremely skeptical about financial services after reading about all the corruption in the industry. However, they were struggling with their own financial planning, unsure about how and what to save for their children's education, and didn't have a current estate plan. They had been managing their own investments and knew that their lack of knowledge is why they only saw moderate success.

After another Saturday behind the computer, Samantha and Patrick decided it is time to find help. They asked a trusted colleague to refer them to a reputable independent wealth management firm and set an initial meeting.

The firm educated the Byrnes about their advisory services without any hard sell and earned their trust through introductions to other clients in similar circumstances. The Byrnes talked with other customers of the firm and decided to work with an advisor on an annual retainer basis, which felt both flexible and low-risk to the nervous couple.

The family's first step was to have detailed financial plans drawn up, which allowed them to:

- » Track options and grants
- » Understand their benefits plans, including the differences between Samantha's and Patrick's plans
- » Revise asset allocation across all their investment accounts, optimizing asset location
- » Make tax and estate planning decisions

Their new firm coordinated all the Byrnes' other advisors and proactively identified additional tax and estate planning opportunities, with a focus on better managing their risk profile.

By being flexible throughout the planning process and showing genuine results, the firm earned the Byrnes' trust. The Byrnes eventually moved all of their assets to the firm. The Byrnes have been extremely happy with their new freedom and enjoy being able to spend more time with their kids.

Women who have gone through a major life transition, such as retirement, death of a spouse, or becoming an empty-nester, have developed a particularly clear definition of what they expect from their financial advisor. Their experiences dictate their needs.

CRITICAL ISSUES FACING WOMEN: THEIR MONEY JOURNEY DEFINES THEIR NEEDS AND EXPECTATIONS CONTINUED

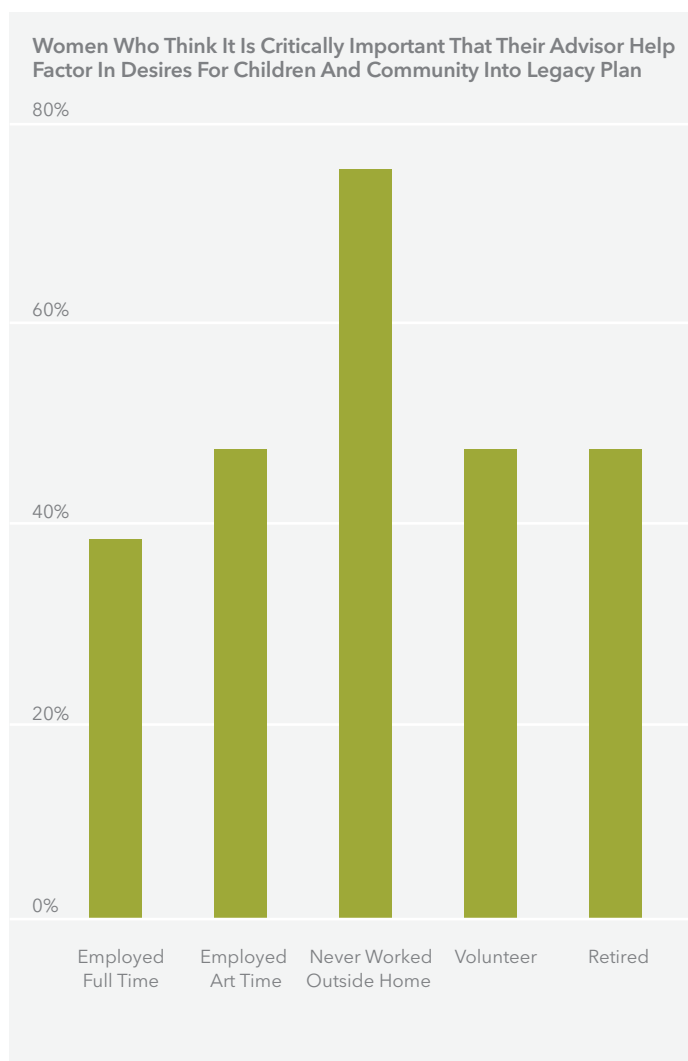
Another large gap between employed and non-employed women exists in attitudes about legacy plans.

This discrepancy may be because women who are employed full-time have a large network to tap and can therefore find support and referrals without the assistance of a financial advisor, while women who don't work full-time need to depend more on their advisors as a referral source.

Working women who work with wealth managers describe an array of additional services they are getting from their advisor. These include the typical range of financial planning and business advice, including wealth transfer strategies and referrals to other professionals, but women also look to their advisor for some out-of-the-box advice. Women responded that their advisors provide:

- » "Support regarding our personal health needs"
- » "Family resolutions"
- » "Life coaching"
- » "Advice on personal matters"

Advisors need to emphasize to working women the value added by spending substantial time together in the planning stages. Despite the time it takes, a considerable effort at the outset will allow the advisor to make a significant impact on their female clients' futures.



Despite the time and effort it takes, a considerable effort at the outset of a relationship will allow the advisor to tailor his approach and make a significant impact on his female clients' futures.

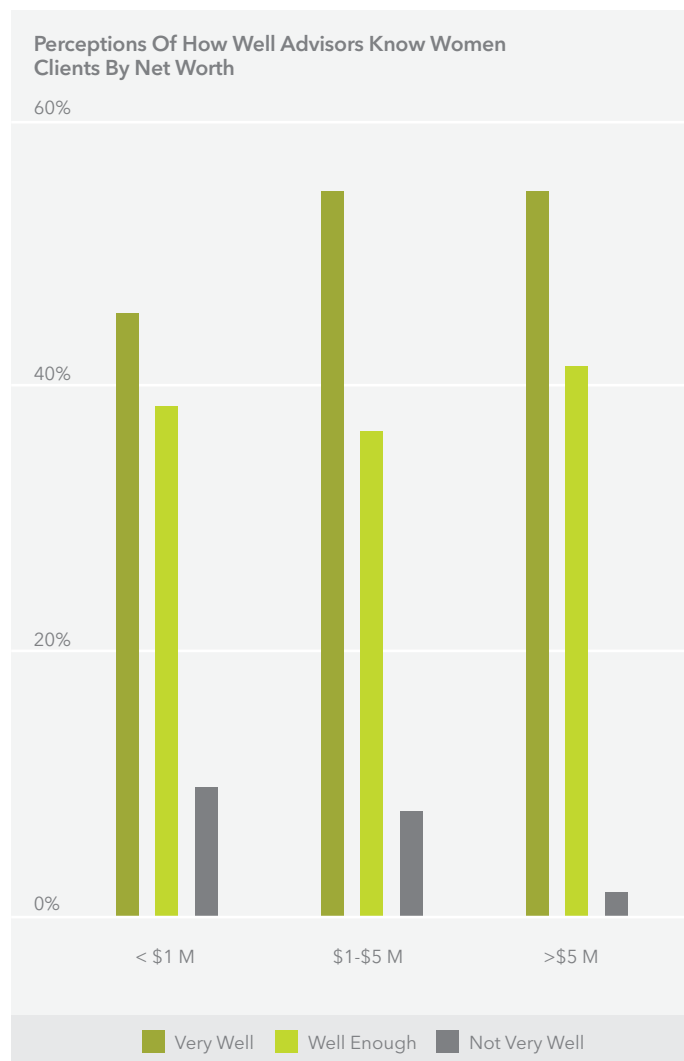
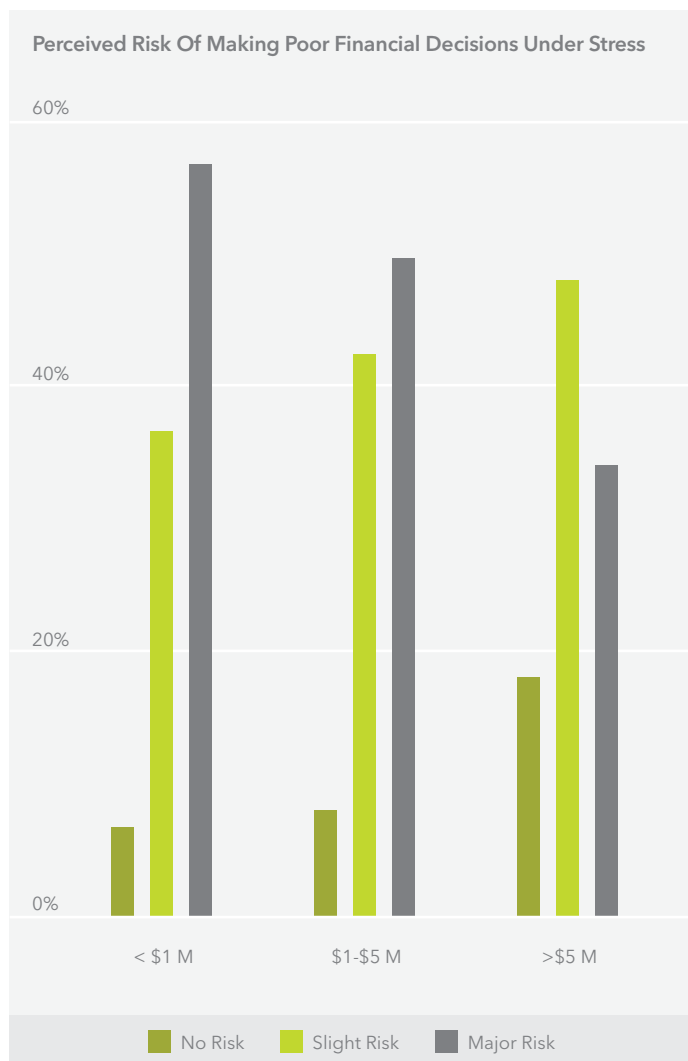


Does High-Net-Worth Matter?

Definitely

Women's wealth greatly impacts what they are most concerned about. While 57% of women with a total net worth of <\$1 million worry about making poor financial decisions under stress, only 34% of women with net worths of greater than \$5 million do.

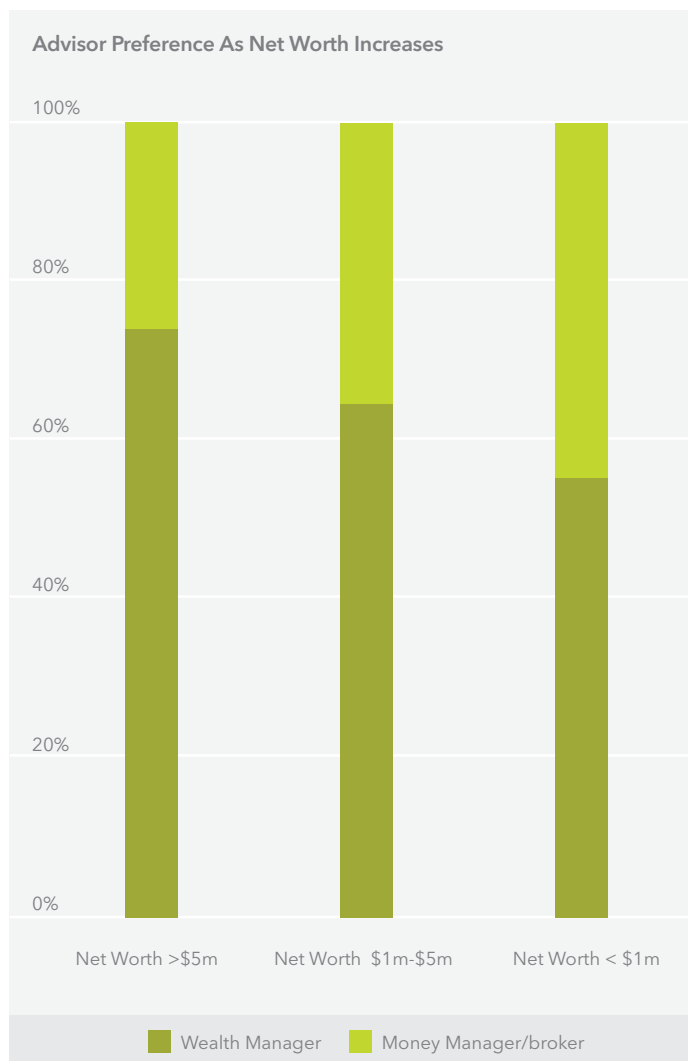
The results of the WoW study also suggest that women's satisfaction with their financial advisors increases with their net worth. Among women whose net worth was less than \$1 million, 10% feel that their advisor does not know them very well, and 39% responded that their advisor knows them "well enough." Of those with a net worth of more than \$5 million, only 2% feel their advisor does not know them very well, and 55% perceive their advisor as knowing them very well.



CRITICAL ISSUES FACING WOMEN: THEIR MONEY JOURNEY DEFINES THEIR NEEDS AND EXPECTATIONS CONTINUED

Also of note, as women's net worth increases, more women seek wealth managers as opposed to money managers or stockbrokers.

A full 82.8% of all respondents said that a financial advisor could make a significant impact on their financial well being. Given the breadth of services the affluent are seeking, it is clear that advisors need to get to know their women clients very well in order to proactively address issues that could have an impact on their success.



The higher the women's net worth, the more likely they are to use a wealth manager as opposed to a money manager or stockbroker.





“Tailoring the approach” applies not only to how service is delivered, but the language the advisor uses, the level of detail he or she provides, the length and type of documents delivered, the frequency of contact and many other details that specifically address the client’s needs and preferences.



WHICH ADVISORS WILL SUCCEED? THOSE WHO TAILOR THEIR APPROACH

The lessons of the WoW study are plain: women's financial services needs and preferences differ markedly based on their marital status, employment status, caregiving demands, planned versus unplanned transitions and net worth. Each successful woman is on a unique journey, and she expects her advisor to travel along with her. She wants her advisor to quarterback her other advisors, understand her unique situation, provide multiple advisory resources, and tailor services and solutions to best fit what she needs.

The advisors who are succeeding are the ones who approach women clients from the standpoint of a consultant rather than as a salesperson. The woman client will typically choose an advisor who listens well and can respond with case studies or anecdotes that illustrate the advisor's experience with similar clients. "Tailoring the approach" applies not only to how service is delivered, but the language the advisor uses, the level of detail he or she provides, the length and type of documents delivered, the frequency of contact and many other details that specifically address the client's needs and preferences.

The WoW study participants show an overall higher use of and higher satisfaction with the more advisory-oriented approach. For example, 98% of women who have a wealth manager responded that their advisor understands them "very well" or "well enough," and only 2% felt their advisor did not understand them very well. In contrast, 23% of women who work with money managers, stockbrokers and non-fiduciary financial advisors state that these professionals do not understand them "very well".

Many studies in the past several years have indicated that women approach their financial needs differently than men. The attitudes of advisors are important, but actions that demonstrate a deep understanding of those differences in the form of tailored services, deliverables and advice will determine the winners and losers in the advisor marketplace.

The good news is that some financial advisory firms are attempting to train their advisors to develop better listening skills to prepare them to work with women. The bad news is that even these well-meaning firms do not recognize that their products and services are inflexible; a "platform" approach may feel reassuring to a man, but does not allow for a customized or innovative approach to women's unique needs and challenges. The implication is that firms need to make their product and service delivery more flexible to respond to the broad spectrum of concerns and circumstances women of wealth face.

WHICH ADVISORS WILL SUCCEED? THOSE WHO TAILOR THEIR APPROACH CONTINUED

CASE STUDY

Michelle – the Surprised Divorcee

Michelle found herself dealing with a most unexpected divorce, which put her squarely in the middle of an emotional whirlwind. She had \$2.5 million in investable assets but extremely limited investment experience, and felt overwhelmed by the flood of legal and logistical advice she received. Michelle did not feel anyone was really listening to her concerns about her financial security and emotional stability.

She was working with a large financial brokerage house, but was referred to a small but well-respected independent firm. She felt relief at the very first meeting because someone was finally hearing her concerns. The advisor helped narrow her focus to two key questions: "Am I going to be OK?" and "Do I have enough money to live on?"

The firm identified Michelle's necessary steps in a simple one-page outline, and made sure her other advisors were in sync. The firm introduced Michelle to a valuation expert to help her assess two privately held businesses that would be included in the settlement. Once a clear picture formed in terms of the assets she was entitled to, the firm was able to present her with a cash-flow plan that reassured her that she could maintain her lifestyle. Finally, the firm advised her about what actions she could take to minimize or eliminate ties to her soon-to-be-ex-husband.

This story is a success because a registered investment advisor tailored his approach to address Michelle's unique concerns and delivered his advice in a more visual, rather than verbal, way. This approach gave the surprised divorcee new confidence, sound strategies, peace of mind and a well-thought-out plan to begin her new life.

* Names and identifying details have been changed to preserve the anonymity of study participants.



Another implication for the industry is that there will be an increasing demand for a more diverse mix of advisors, especially female advisors. Clearly, the days of the condescending male advisor are limited. What's more, given that many women in the WoW study are concerned about generational planning and want an advisor their children would relate to and begin to work with, firms will need to offer a more diverse mix of advisors to respond to preferences in gender, age, background and experience.

Clearly, attempting to target the diverse women's market with one process, product or service will not work. Women will have unique situations, and a wide range of communication styles, knowledge of financial topics and jargon and financial-planning needs. An advisor who wants to build a successful practice of highly satisfied women clients will not only have to accurately assess these needs, but also respond to them.

While not easy, building a practice that targets a particular niche of women is rewarding. Women tend to take longer in the due diligence process but are more stable clients over time. Once a woman builds a solid relationship with a professional, she will not only be a long-term client, but a great referral source. In fact, women refer dramatically more to their advisor than men do,²⁵ which means that a strong bond between the advisor and female client can develop into a steady referral stream.

The implication is that financial advisory firms need to make their product and service delivery more flexible to respond to the broad spectrum of concerns and circumstances women of wealth face.

25. Mary Quist-Newins, "Untapped Market: Women May Be Gaining Economic Power, but They Still Feel Financial Planners Are Not Recognizing Their Potential" (March 1, 2010), available at www.financial-planning.com/fp_issues/2010_3/untapped-market-2665922-1.html. "Untapped Market: Women may be gaining economic power, but they still feel financial planners are not recognizing their potential" by Mary Quist-Newins on www.financial-planning.com



Women are building and inheriting more wealth than men. This could lead to the most significant paradigm shift in the financial services industry that we will see this century.



CONCLUSION: SUCCESSFUL WOMEN VOTE WITH THEIR POCKETBOOKS – EVOLVE OR PERISH

Women wield considerable economic power in the workplace and purchasing power in all consumer and commercial markets. And they are building and inheriting more wealth than men. This could lead to the most significant paradigm shift in the financial services industry that we will see this century. In short, women's purchasing patterns will determine whether companies survive or thrive.

If financial services companies want to be among those that thrive, they must respond to what women want.

- » 100% of women want to be understood for their unique profile and values.
- » 99.6% think it is critically important that their advisor be trustworthy.
- » 72.9% believe that trust is created when an advisor listens.
- » 80.3% believe it is critically important to have an advisor who is a fiduciary.
- » 82.8% believe it is critically important to have an advisor who creates a strategic investment allocation grounded in the context of each woman's unique situation, goals and appetite for risk.
- » Women chose the wealth manager model 2 to 1 over other advisory models.

In addition, advisors who want to be responsive will need to understand the markedly different preferences and priorities among women based on their marital status, employment status, net worth and planned versus unexpected transitions. Notable results from the WoW study:

- » Although almost 90% of women have no preference with regard to the gender of their advisor, one quarter of divorcees and widows do have a strong preference and prefer women to men 4 to 1.
- » More than 57% of married women believed that divorce is a risk that could prevent them from achieving and maintaining financial independence over their lifetime.
- » Women who had gone through major life transitions are more likely to use wealth managers (for example, 71.4% of retired women used a wealth manager versus 42.3% of working women).

- » Retired women are more worried about economic and market risk – 81.7% of retired women, versus 45.1% of working women, worried about a long-term shifting and potentially declining economy.
- » Working women chose to work with non-fiduciary advisors more than other categories of women; as a result 75% of them feel that their advisor does not understand them very well.
- » The National Association of Personal Financial Advisors defines fiduciary as a financial advisor who occupies a position of special trust and confidence when working with a client. As a Fiduciary, the financial advisor is required to act with undivided loyalty to the client. This includes disclosure of how the financial advisor is to be compensated and any corresponding conflicts of interest. A non-fiduciary advisor acts in the best interest of his or her firm.
- » Nearly all (98%) the participants who have a wealth manager and fiduciary feel their advisor understands them "very well" or "well enough."

Women have specific and clear needs and seek expertise in helping them navigate through these life events. Women who have been through significant changes – divorce, death of a loved one or retirement – are particularly clear about what they demand from the financial services industry. Those firms that offer custom solutions to niche markets and develop personal connections with their female clients will dominate the industry. Those who continue to treat all women the same will see their business steadily decline and, eventually, evaporate.

Advisors who continue to treat all women the same will see their business steadily decline and, eventually, evaporate.

ABOUT FAMILY WEALTH ADVISORS COUNCIL

Founded in 1981, the Family Wealth Advisors Council (FWAC) is a national network of carefully vetted, independent, fee-only wealth management firms that collectively manage more than \$3 billion in client assets. The FWAC's member firms share a common belief that taking the long-term approach of putting clients first on all levels is the only sustainable business model. FWAC members commit a significant amount of time and energy each year to meet and share best practices. In a world where many large brokerage firms and major banks consistently look for ways to sell their customers high-fee products that they may not need, FWAC firms provide the kind of consultative advice that meets a higher fiduciary standard.

Professionals in the FWAC hold advanced designations and are uniquely experienced in providing true wealth management services to the affluent client. Many are leaders in the financial-planning industry and regularly speak at industry conferences on best practices in planning and investment management. FWAC members and their firms have won numerous awards, and their research has been used by leading think tanks, media publications and corporations.

More information regarding Family Wealth Advisors Council and the 2011 Women of Wealth Study can be found at www.FamilyWealthAdvisorsCouncil.com





ABOUT THE AUTHORS



Eileen O'Connor, MBA, CFP®

Eileen O'Connor is the CEO and Co-Founder of Hemington Wealth Management. Eileen is the firm's visionary and primary rainmaker. Her 25 years of financial services experience and expertise surrounding the challenges of women of wealth are the foundation of the firm's

strategy to focus on providing high-quality financial advice to breadwinner women like herself. Under Eileen's leadership, Hemington Wealth Management has been ranked as one of the top 50 fastest growing RIAs in the country for the past three years.

In addition to her distinctions as a nationally recognized authority on wealth management, Eileen is a Harvard MBA graduate and mother of five active children, ages 9 to 19. In her former career, Eileen consulted with Fortune 500 financial services companies on strategic and operational issues first in the US and Europe and then for three years based in Singapore. It was in this capacity that she formed her strong opinions as to the inherent conflicts associated with non-fiduciary financial advice.

Eileen was named as one of Investment News' Women to Watch, an honor bestowed on only 20 women nationwide in 2016. Eileen is a frequent speaker and has been quoted in the Wall Street Journal, Barron's, Businessweek, REAL SIMPLE, Private Wealth Magazine, Investment News, The New York Times, and hundreds of other publications. Eileen is consistently recognized by her peers as a stand-out wealth manager in the DMV, voted Best Wealth Manager by Washingtonian and Northern Virginia Magazines from 2009-2018. Eileen earned her B.S. in Finance and Information Systems with highest distinction from the University of Virginia, an MBA from Harvard Business School, an Executive Certificate in Financial Planning from Georgetown University, and is a CFP® designee.

Eileen lives in Great Falls, Virginia, with her husband, Patrick, and their five children.



Heather R. Ettinger

Managing Partner Heather Ettinger brings more than 25 years of financial industry experience and passion to Fairport Asset Management, a wealth management firm in Cleveland, Ohio. She has developed a unique expertise in understanding the needs of high-net worth individuals and

their families and presenting innovative solutions to create a strategic financial plan to guide them through transitions. Recognized for her expertise in this area, Ms. Ettinger has been named to Wealth Manager's "Top 50 Distinguished Women in Wealth Management."

Beginning her work around financial literacy programs in the late 1980s, Ms. Ettinger continues her work with the trademarked "Solutions for Women (SFW)," a series of seminars at Fairport Asset Management. Tailored to their unique learning styles and priorities, SFW seminars create an interactive and supportive environment for women to learn the skills to become financially independent and intentional in mapping their lifetime plan. These are themes that Heather advocates throughout her professional, civic and philanthropic interests.

She also serves as a director on three corporate boards: Hudson Metals Inc., The Private Trust Company and Pro's Corp. Ms. Ettinger serves as a board member and Investment Committee member of the University Hospitals Health System, Sisters of Charity Foundation and the Cuyahoga Community College Foundation. Her other civic interests include serving on The United Way Board, as an Emeritus Trustee of Laurel School, as a founding member of In Counsel With Women and on the Planned Giving Council of the Cleveland Museum of Art.

In recognition of her accomplishments, Heather has received Crain's Cleveland Business "40 under 40" and "Women of Influence," the Women's Community Foundation Creative Philanthropy Award, an Athena Award Finalist, Laurel School's Distinguished Alumna Award, Kaleidoscope Magazine's "Women Who Give Back" and the YWCA "Woman of Achievement." She has often been known in her community as a "pioneer" and cares deeply about making a difference.

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