



## **MISPERCEPTION**

Female investors are indecisive, self-doubting, and overly emotional

## **TRUTH**

Female investors are detailed-oriented, risk-aware, and in it for the long-haul



### A case of mistaken identity

### The women's segment isn't a niche – it's a driving force

#### IN CONTROL

- By 2020, women will control \$22T of wealth in the U.S.1 – and almost 60% today are solely responsible for making investment decisions<sup>2</sup>
- She controls or substantially influences 85% of consumer household purchases - about \$15T of annual consumer spending in the U.S. alone<sup>3</sup>

#### **WELL EDUCATED**

- Women currently earn the majority of bachelor's degrees (57%), master's degrees (60%) and doctoral degrees (51%)<sup>7</sup>
- ✓ As *today's younger women* enter the labor force at higher rates, they bring with them *higher levels* of education than any generation of women who have come before them8

#### **BREADWINNER**

- Approximately 40% of U.S. working women now out-earn their husbands<sup>4</sup>
- The number of women-owned firms increased by 54% between 1997 and 2012 - that's a rate of 1.5x the national average<sup>5</sup>
- The vast majority of new income growth over the next decade will come from women - globally, women are the biggest emerging market ever seen<sup>6</sup>

<sup>1</sup> BMO Wealth Institute, The Financial Concerns of Women, 2015.

<sup>2</sup> State Street Global Advisors' survey, "Assessing the Landscape: Female Investors and Financial Advice," 2015.

<sup>3</sup> Greenfield Online for Arnold's Women's Insight Team, 2015.

<sup>4</sup> US Bureau of Labor Statistic, 2013.

<sup>5</sup> United States Census Bureau Survey of Business Owners, 2012.

<sup>6</sup> Harvard Business Review, Why Women Are the Biggest Emerging Market, Sylvia Ann Hewlett, 2010.

<sup>7</sup> Department of Education, 2013.

### There is no "one" woman

Misperceptions around who she is and how she invests undermines her influence



61% of women feel misunderstood by financial services– and 62% are walking away from their financial advisor

upon the death of their spouse<sup>1</sup>

**93%** of women say they *have significant influence* on what financial services their family purchases<sup>2</sup>

yet only 20% of female breadwinners said they were
 "very well prepared" to make wise financial decisions<sup>3</sup>

**59%** of self-guided female investors do not see a need for an advisor because they *don't see the value*<sup>4</sup>

<sup>1</sup> State Street Global Advisors' survey, "Assessing the Landscape: Female Investors and Financial Advice," 2015.

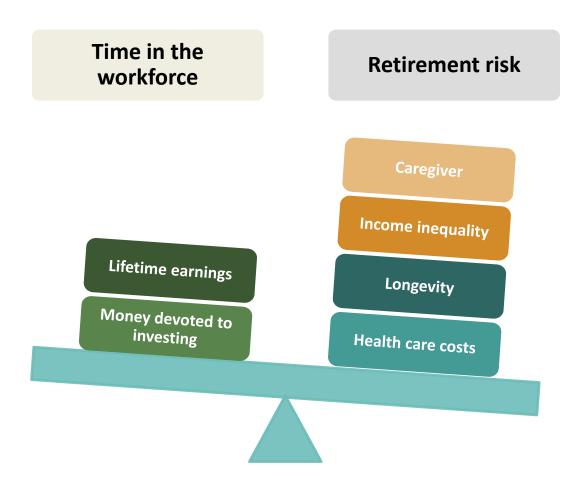
<sup>2</sup> Harvard Business Review, Boston Consulting Group Survey, "The Female Economy," 2009.

<sup>3</sup> Prudential's study – Financial Experiences & Behaviors Among Women, 2010.

<sup>4</sup> State Street Global Advisors' survey, "Assessing the Landscape: Female Investors and Financial Advice," 2015.

### And one size does not fit all

The disconnect is likely harmful to women's financial freedom and wellness



Sources: Women and Retirement Risk, The Society of Actuaries Committee on Post-Retirement Needs and Risks, 2016; Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey

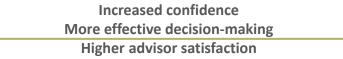
## The real cost of the gender gap in advice

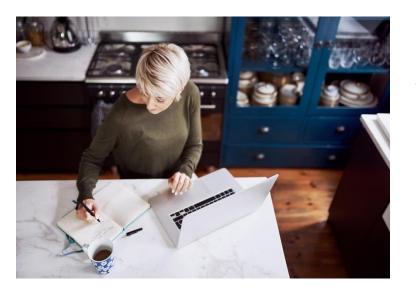
A means to change the conversation – and improve financial outcomes

#### The relationship with money is different

– it's not just about beating the benchmark. Decisions are values-based and intrinsically linked to her financial goals and priorities.<sup>1</sup>







#### The gender wealth gap is real

- and it's not due to risk aversion.

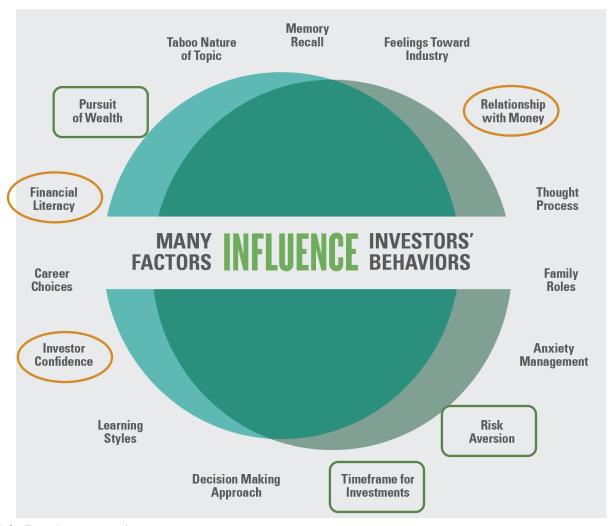
Depending on salary, time out of the workforce as caregiver, and the market's performance, the cost of the "investment gap" over a woman's working lifetime can easily add up to over \$1 million<sup>2</sup>

<sup>1</sup> State Street Global Advisors' survey, "Assessing the Landscape: Female Investors and Financial Advice," 2015.

<sup>2</sup> Merrill Lynch Age Wave ,calculation based on Bureau of Labor Statistics, TEDL The Economics Daily, Median usually weekly earnings of women and men who are full-time wage and salary workers, by age 2016 annual averages.

### The role of gender bias

Gender differences are an important underlying factor, but if they become the conclusions, then we overlook the uniqueness of one's financial journey and needs



The information contained above is for illustrative purposes only.

### **Rooted in research: Brain function**

There are gender differences in how information is processed, how rewards are negotiated, and how decisions are made

Biology factors

Impact memory

React to stress

Deal with risk

## **TRUE** or **FALSE**

Men's brains are bigger

**TRUE,** but size isn't everything. And the difference has nothing to do with intelligence.

Women have more gray matter in certain parts of their brains – and more intricate and extensive communications between brain cells than men, particularly in the frontal cortex.

This is the area involved in judgement and decisionmaking: the "executive center" of the brain.

Source: State Street Center for Applied Research, "Addressing Gender Folklore," 2015.

Source: State Street Global Advisors' survey, "Assessing the Landscape: Female Investors and Financial Advice," 2015.

## Rooted in research: Social psychology

There are gender differences so engrained that we aren't always aware of the impact

Environmental factors

Impact perspective

## **TRUE** or **FALSE**

Female investors lack confidence

Impact confidence

**False.** The broad generalization simply doesn't apply – and ignores important variables, including age, education and experience.

Impact motivation

The danger of this myth is that it may actually be self-perpetuating. Women often underestimate their own abilities while overestimating what is required to be financially capable.

Cultural taboos around money talks and entrenched division of labor roles are holding women back.

## **Example – The cost of overconfidence**

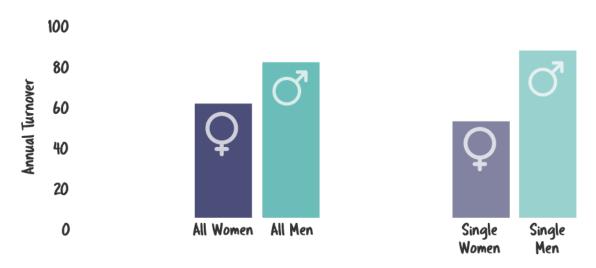
### TRADING IS HAZARDOUS TO YOUR WEALTH



Source: Brad Barber and Terrance Oden, "Boys will be Boys: Gender, Overconfidence and Common Stock Investment." The Quarterly Journal of Economics 116, no 1, February 2001.

Most active traders can see about half the return of their buy-and-hold peers

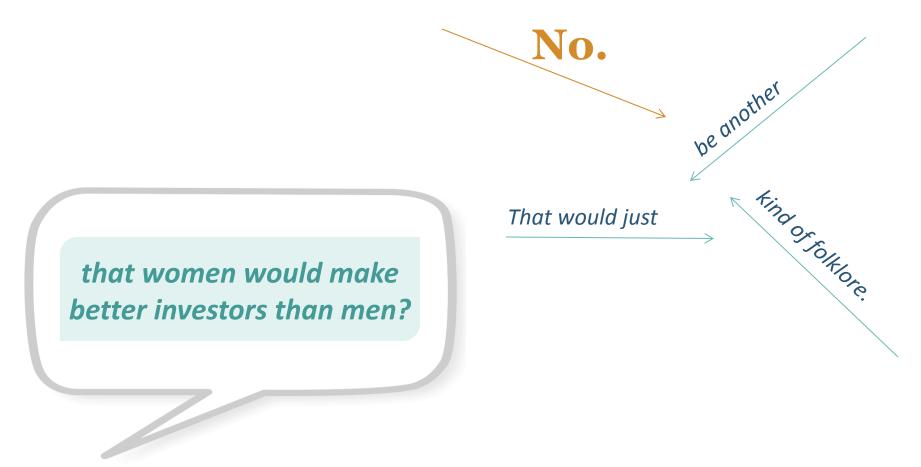
## **Example – The cost of overconfidence**



Source: Brad Barber and Terrance Oden, "Boys will be Boys: Gender, Overconfidence and Common Stock Investment." The Quarterly Journal of Economics 116, no 1, February 2001.

The active trading behavior is more pronounced along gender lines due to overconfidence

 most acute among single men, who may have less experience or greater risk tolerance



So what are we saying,

Source: TedX Institute in partnership with State Street, "Gender Folklore" video, <a href="https://www.ted.com/watch/ted-institute/ted-state-street/why-the-stories-we-tell-can-change-the-world">https://www.ted.com/watch/ted-institute/ted-state-street/why-the-stories-we-tell-can-change-the-world</a>, 2015.

Understanding the influence of gender on investment decisions is not about pitting female investors against male investors.

It's about fostering greater gender intelligence.



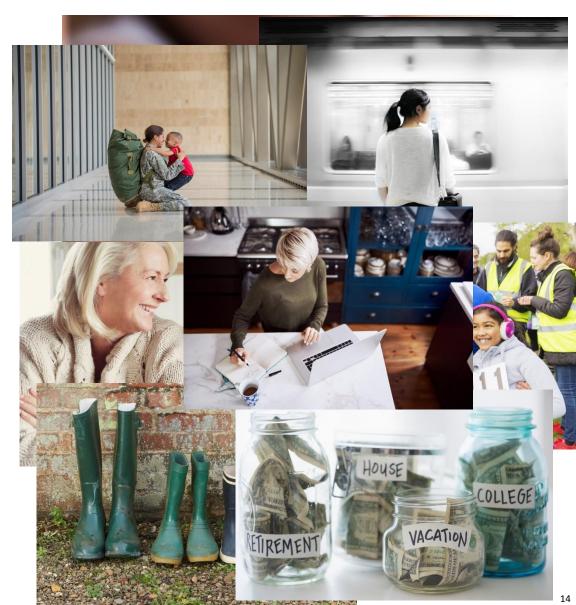
## The path to the bottom line is different

A multidimensional journey drives her financial priorities and values

How clients set and aim for investing goals

In their approach to investment decision making

> In the nature of the client relationship



## 51% of the population – and a very nuanced group

### A comprehensive, relevant client experience that lets her live life on her terms

#### SILENT GENERATION

#### The founder of the feminist frontier

- At the forefront of the second wave of feminism (1960s), these women are frugal and value their independence<sup>1</sup>
- Today, they are pioneers of a new lifestyle and image for aging women – leading a trend toward "active retirement"
- Providing future generations with both roots and wings<sup>3</sup>
   as elders, they have become economic anchors for America's new renaissance in multigenerational family living
  - · Routinely funding extended-family vacations
  - Subsidizing grown children
  - Establishing college trust funds for grandchildren<sup>4</sup>
- Living on their own only about one-third of women
   75-years or older live with a spouse 5
  - 975,000 US women are widowed annually<sup>6</sup> and roughly half were previously caregivers for their spouse<sup>7</sup>
  - 37% decline in a widow's household income after spouse dies<sup>8</sup>

#### **BABY BOOMERS**

## Pioneers, achieving unprecedented professional success

- Came of age during the height of the women's movement, these women take pride in their wisdom and experience and value authenticity<sup>9</sup>
- Today's 50+ females are the wealthiest, most active and influential generation of women in history – they know who they are and what they want <sup>10</sup>
- Currently at the peak of their careers and earning potential – and those that do retire often don't stop working, but start their own consultancies or business<sup>11</sup>
  - Boomer generation controls 70% of the disposable income;<sup>12</sup>
     women drive 70%-80% of all purchases<sup>13</sup>
- Caregiving responsibilities are colliding some have welcomed adult children back home and others are caring for their parents
  - Women act as 66% of all family caregivers and are nearly
     2x as likely as men to be providing care from their 40s-60s <sup>14</sup>

## 51% of the population – and a very nuanced group

A comprehensive, relevant client experience that lets her live life on her terms

#### **GENERATION X**

## Raised to believe that girls could do anything – and have it all

- Title IX babies many were the first women in their families to go to college, live on their own, launch a career, or choose to stay home with their children, these are smart women, grateful for what they have, and also exhausted<sup>15</sup>
- Today, they are just entering, running through or leaving their 40s – still in peak earning years, they are resilient in their ambition to move ahead financially
  - Gen X women have more life challenges and it is those life circumstances that become a barometer for where they want to go and how fast
  - Building out a cash reserve to increasing auto contributions to their 401k plans – can make a real difference
- Gen X women paved the way for work-life balance, however they report high levels of work-family interference:
  - First workforce generation to be caregivers for both children and senior parents<sup>16</sup>
  - Time is money, except when its unpaid the potential cost in lost wages and Social Security averages \$324,000 over her lifetime<sup>17</sup>

#### **MILLENIALS**

## The nineties girls become Millennial women professionals and rock the workplace

- "The Future is Female" they are poised to be the most financially independent women in history; coloring outside the lines and putting in work to prove their value and worth, including redefining work/life gender roles.<sup>18</sup>
- Today's twenty and thirty-somethings are living in a different world relative to where women were financially in the mid-70s.
  - Millennial women need to have a clear understanding of what they need to do to maximize their financial lives, including tackling their weaknesses head on
  - High confidence displayed in budgeting and bill paying but at times, a lack of confidence is demonstrated in terms of investing. They need to use their money strengths to gain investing confidence and put their money to work for them
- In Q1 | 2015, Millennials became the largest generation in the workforce <sup>19</sup> – and Millennial women have achieved goals in education, career and income that their mothers and grandmothers dared to dream and advocate for

### The experience gap is not a capabilities gap

The industry can learn from how women leverage the EQ in investing

#### IT'S NOT JUST ABOUT BEATING THE BENCHMARK

Portfolio performance matters, but many women are more focused on achieving long-term goals

I want to be confident in my decisions, because it's my money. I've worked hard for it.



#### **SELF-ASSESSMENT IS REALISTIC**

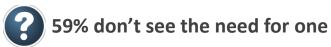
More women see skill as understanding the market, information or risk – and tend to consider all aspects and views



decision than to make the decision and say, "I shouldn't

have done that; I should've done this instead."

#### THE ADVISOR HAS TO PROVE THEIR WORTH





§ 20% feel expense is too high

I don't need my advisor to tell me how smart he is. I need my advisor to give me confidence in my own abilities

### Valued advice to the values-based investor

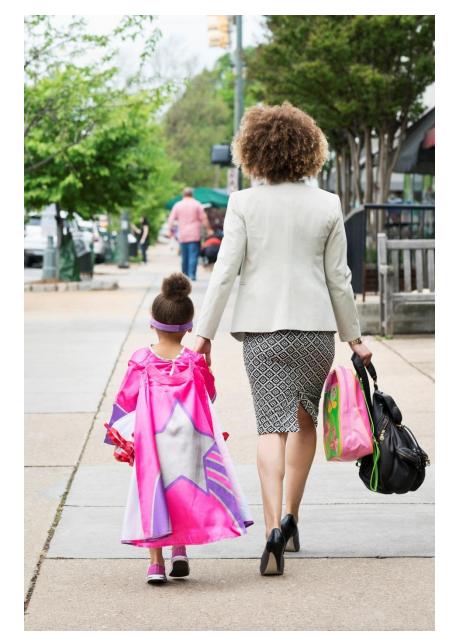
What she wants and needs

#### Focus on the 3 qualities that female investors value most:











## Move beyond misperceptions to understand the real factors

### Address bias and challenge outdated assumptions

#### **1.** ASK BETTER QUESTIONS

- Support the desire to gather sufficient information
- Understand her views and approach;
   don't soften the conversation and don't
   be condescending

#### 2. RESPECT HER CONCERNS AND ACTIVELY LISTEN

- Don't jump to conclusions
- Recommendations and decisions to be made in relative context - both in terms of risk and time

## Relationship is an empowering one

" I spend time reading the information provided, and I get my questions lined up: Why this investment as opposed to something else?

## Respectful environment

" My advisor makes me feel like no question is a dumb question. I appreciate that.

## Informed decision-making is about accountability and confidence

Even though I am trusting my money to my advisor, I still want to feel ultimately in control.

#### THE CHALLENGE:

#### How to get objective advice?

Although she is no stranger to the world of finance, Meredith finds herself on her own. Now a widow and not yet retired, she has been unable to find a trusted advisor — watching others go through less than positive experiences has soured her appetite. But Meredith knows to get the most out of her finances, she either has to keep the pressure on herself to figure it all out, or finally find a professional that can demonstrate they have her best interests in mind.





#### THE SOLUTION:

#### No regrets

Searching for a more sustainable outcome, Meredith is motivated to find an advisor that understands what she needs and wants, without bias. The "why" is just as important to her as the "what." Evolving her perception of how advisors work with women is not going to be an easy one to change, but with consistency, diligence, respect, and leading with the strengths Meredith has to offer, she can turn "would have, could have, should have" into "no regrets."

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## Overcome "experience gaps"

#### Inform and collaborate

#### **3.** BE HER SOUNDING BOARD

- Commit to coaching to help improve financial knowledge and build investment experience
- Encourage conversation and offer educational materials and events; foster a collaborative learning environment

#### 4. BUILD UPON SUCCESS

- Be prepared to discuss the pros and cons for different alternatives
- Reinforce progress made toward financial goals, measured against her purpose
- Lead with the plan, turn longevity into an asset and make course corrections along the way

## Align mindset with investment strategy

Focus on the risks that count will lead to more empowered decision making



## Respect and inclusion build stronger relationships

Participation in the decision-making process supports the desire to feel in control



## She has every reason to think long term

Ability to see beyond the present supports her definition of success and money

#### THE CHALLENGE:

#### How to protect loved ones?

Tara is a single mother and the primary caretaker of her father who has Alzheimer's. To help, she began organizing her father's care and getting an understanding of his finances and personal affairs – it was a big puzzle to understand. Tara discovered mismanagement of his care and his wealth. Her father was vulnerable and had become a victim of fraud and abuse. She was determined to put the pieces back together.





#### THE SOLUTION:

#### An inclusive approach

Tara wanted perspective and a comprehensive approach. She ultimately found a trusted advisory team to build the care and financial plan necessary to support her father – and her family. Together, they mapped out the funding and structure needed, helping ease the stress on time and finances. In her search, understanding, fiduciary practices and authenticity were primary; just as important as expertise in elder care and age friendly related services.

### Balance the IQ and the EQ to achieve financial wellness

Align her investments with her values

#### 5. USE A GOALS-BASED FRAMEWORK

- Adopt a structured process to synthesize her qualitative and quantitative investment goals
- Understand how fundamental characteristics influence her investment experience
- Acknowledge financial challenges that impact women

## 6. EMPOWER HER TO GROW INTO HER FULL POTENTIAL AS AN INVESTOR

- Focus on the risks that count; connect this information with her goals to influence productive investment behavior
- Optimize decision-making in light of how the she views money, the experiences she has had, and her financial life goals

#### "Satisficing"

#### The Key to Happier Decision-Makers

Uncertainty about the future means that it is impossible to always make a fully informed or rational decision <sup>1</sup>

By aiming for a decision that will satisfy and suffice, we seek the solution that is most likely to make us happy – focus on the concept of satisficing investment choices to avoid excess rumination and regret.

- ✓ A structured process centered around the decision and the information available
- ✓ Frame performance discussions in terms of expected return per unit of risk
- ✓ Focus on choosing the course of action that is most likely to meet the aspiration level
- ✓ Decision is made; move on to other productive efforts

#### THE CHALLENGE:

#### How to make a difference?

Shortly after graduating from New York University with a degree in game design, Stephanie became the head of her family's donor-advised fund. Being in the field herself, Stephanie saw how few women chose the same path and wanted to pay it forward. She aimed to make a difference.





#### THE SOLUTION:

#### A creative and wise approach

Searching for a more sustainable means to address gender inequality, she saw an opportunity to shift the fund's focus to advancing women — providing grants for women in the areas of science, technology, engineering and math, specifically coding.

## From misjudged and underserved to empowered and thriving

Female investors are detail-oriented, risk-aware, and in it for the long haul



## Appendix

- Photo Elicitation
- Research Methodology
- Endnotes and Disclosures

















## Assessing the Landscape: Female Investors and Financial Advisors 2015

#### State Street Global Advisors' Online Survey

- Fielded among a nationally representative sample of 250 advisors and 1,000 investors
- All of the financial advisors had at least \$20M in accounts under management and represent a variety of institutions and dealer types
- All of the investors were female, between the ages of 25 and 84 and had a household investment portfolio of at least \$200,000 (\$150,000 for those aged 25–34)
- All worked full-time, part-time or were retired and at least shared in the financial/investment decision making for their household

#### **State Street Global Advisors' Expert Interviews**

- To further contextualize our learning, we also conducted in-depth interviews with a range of leading industry, business and economic experts to help inform our key findings and practice techniques. They included:
  - Phone interviews with 16 industry experts
  - In-home interviews with female investors with a household portfolio of at least \$100,000

#### State Street Global Advisors' Women and Investing Toluna Omnibus Survey

• A total of 946 adults, 516 males and 430 females responsible for investment decision-making of a portfolio of any size, completed the State Street Global Advisors' Women and Investing Toluna Omnibus. It was fielded online April 2–6, 2015. The sample is representative of the US adult population aged 18+



# Not Just a Number: Perceptions and Behaviors Related to Cognitive Decline and Financial Decision Making 2015

#### **Analysis of Multigenerational Wealth Survey Data**

- Earlier this year, the Practice Management group at SSGA contracted with CoreData to field a quantitative survey among 560 investors and 400 advisors on the topic of multigenerational wealth management. A subsection of the survey was dedicated to the topic of investing and the aging brain
- We also fielded a nationally representative sample of 912 adults in an online, nation-wide omnibus survey who are responsible for investment decision-making of a portfolio of \$200,000 or more
- a2b planning reviewed the findings and analyzed additional cuts of the aging brain data, including gender and generation

#### In-depth In-home Interviews with Investors and Caregivers

- a2b conducted 12 in-home interviews. The respondents were an equal mix of investors and family members/caregivers who represented a range of age, gender, marital status, level of involvement (for caregivers), investable assets and use/non-use of a financial advisor
- All respondents were professionally recruited and compensated monetarily for their time

#### In-depth Expert Interviews (via telephone)

• a2b conducted telephone interviews with 13 experts on the aging brain, both within and outside of the financial industry



## The Transformative Power of Philanthropy

#### Online Survey, 2015

- Fielded among a nationally representative sample of 400 financial advisors and 560 individual investors
- · Advisors: Quotas established to reflect a distribution sample of advisors across different channel segments
- Investors: Quotas established to reflect a distribution sample of investors across both net asset bands and age bands

#### Online Survey, 2016

• Fielded among a nationally representative sample of 1,086 adults in an online, nation-wide survey who are responsible for investment decision-making of a portfolio of \$200,000 or more, use a financial advisor and donate to philanthropic/charitable organizations or causes

#### **Expert Interviews**

- Telephone interviews with ten experts on strategic philanthropy, both within and outside of the financial industry
- Interviews with 9 investor / heir pairs and 2 individual investors. Part I of the interview, the investor and heir (child or grandchild) were interviewed separately, and simultaneously; Part II of the interview, the investor and heir were interviewed together. All respondents were professionally recruited and compensated for their time. The investors recruited were required to have a HHI of \$150,000+, at least \$500,000 in investable assets, a financial advisor relationship, donated at least 3% of their income monetarily to philanthropy OR have impact investments in their portfolio. Investors represented a range of ages, gender and marital status. Heirs were 18 years of age or older

#### State Street Global Advisors' Philanthropy Omnibus Survey, June 2016

• Fielded a nationally representative sample of 1,101 adults in an online, nation-wide survey who are responsible for investment decision-making of a portfolio of \$200,000 or more



### **Endnotes from slides 15-16**

- 1 The Women of the Silent Generation Are Not So Silent, medium.com, March 29, 2016.
- 2 Marketing to Women: Addressing Women and Women's Sensibilities, Vol. 13, No. 12, Publication date December 2000, page 6.
- 3 Neil Howe, "The Silent Generation, 'The Lucky Few' (part 3 of 7), Forbes, August 13, 2014
- 4 State Street Global Advisors, *The Transformative Power of Philanthropy: An Exploration of How the Desire to Make an Impact is Evolving Advisor-Client Relationships*, 2016; U.S. Trust Insights on Wealth and Worth, "2017 The Generational Collide", 2017
- 5 A Profile of Older Americans: 2016, Department of Health & Human Services; U.S. Census Bureau, the National Center for Health Statistics
- 6 American Community Survey, Marital Events of Americans, U.S. Census Bureau, 2009
- 7 Age Wave/Merrill Lynch, Widowhood, Market Research Study, 2017.
- 8 Elizabeth Olson, New Widows Have Another Concern: Their Finances, The New York Tomes, September 4, 2015.
- 9 US Census Bureau; Introducing Boomers: Marketing's Most Valuable Generation, 2012 Neilson study
- 10 Prime Time Women: How to win the Hearts, Minds and Business of Boomer Big Spenders, Marti Barletta
- 11 Girl Power Marketing, 2013 report, "Boomer Women: The Invisible Goldmine."
- 12 Nielsen study, 2012, "Introducing Boomers: Marketing's Most Valuable Generation; U.S. Census Bureau; American Marketing Association, "Baby Boomer Women Remain Invisible to Marketers, Sarah Steimer, September 28, 2016.
- 13 Nielsen study, 2012, "Introducing Boomers: Marketing's Most Valuable Generation; U.S. Census Bureau; <u>American Marketing Association</u>, "Baby Boomer Women Remain Invisible to Marketers, Sarah Steimer, September 28, 2016.
- 14 Family Caregiver Alliance, 2015; Annual Prevalence, National Academies Press, 2016. Families Caring for an Aging America: Proportion Caring for Older Adults 65+.
- 15 Ada Calhoun, "The New Midlife Crisis Why (and How) It's Hitting Gen X Women", Oprah.com, essay published October, 2017.
- 16 Lis Rabasca Roepe, "Are Gen X Women Being Squeezed Out of the Workplace?," FastCompany.com, essay published December 14, 2015
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- 18 Sarah Landrum, "Millennial Women: You Have So Much to Offer the Workplace," Forbes, December 22, 2017
- 19 Pew Research, "Millennials are the Largest Generation in the U.S. Labor Force," April 11, 2018



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