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Women + Wealth

How investment managers can create a sustainable advantage

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Making a positive impact

Investors – both institutional and retail – are looking beyond traditional investments. Instead, they want their investments to reflect their personal values or those of their organization. Alongside the traditional security, liquidity and yield criteria, another factor is gaining ground: social purpose.

It's a softer value for a socially responsible generation that wants to invest in more sustainable outcomes. But some old-school asset managers don't do "soft" well. Due to their heritage, these asset managers feel they must continue to embody the values of yesteryear – it's what their clients expect.

But no firm progresses by standing still. By ignoring changing investor demands, asset managers are reducing their ability to attract new clients, retain existing ones, and foster meaningful innovation.

Female financial power

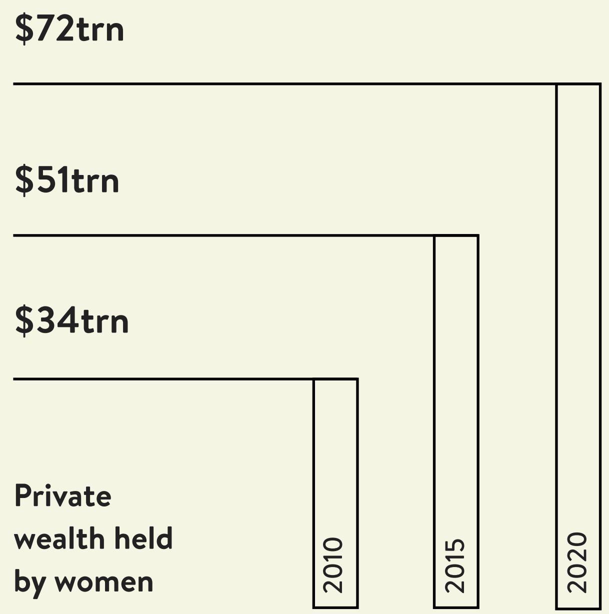
Gender diversity is one of the most obvious areas in which the industry is falling behind. Some might roll their eyes at the mere mention of this topic – and that's precisely the problem.

Women's share of wealth is growing rapidly. The Boston Consulting Group found that women's private wealth grew from $34trn in 2010 to $51trn in 2015. Women are also expected to hold $72trn, 32% of total private wealth, by 2020[1].

So, this leads to the question: why are asset managers underserving female clients? And why are women still underrepresented in their workforces?

[1] https://www.economist.com/news/finance-and-economics/21738388-much-wealth-transferred-coming-decades-will-end-up-female

Half the global population are female and women's share of wealth is growing rapidly[1].



Bridging the gap

Men and women have naturally different approaches to risk – women tend to be more risk-conscious – but many investment firms don't account for these differences. Their marketing is usually focused on a 50-year old 'pale male' – with stock photography to match. This is because women are not traditional asset managers' target audience. As a result, women are being alienated from investing.

Firms must do more to understand how gender diversity can be built into the investment process and marketing materials. Research from HSBC, for example, found that more than a third of women are put off by financial jargon. Only a quarter of men are – despite them having more or less equal investment knowledge[2]. Small tweaks to brochures and vocabularies could result in investment firms unlocking a much larger audience.

Meanwhile, in the US, the investment sector, which includes investment management, mutual, hedge, venture capital and private equity funds, has just 4% of women in leadership roles, and women control between just 1% and 3.5% of assets under management[3]. When compared to other previously male-dominated professions such as medicine and accountancy it's clear that the asset management sector has a lot of progress to make.

Recent data around gender pay gaps in the US has only added fuel to the fire. Data from the Bureau of Labor Statistics shows that women earn 81.4% of what men earned for the same week of work[4]. At a time when 'gender-lens' investing is gaining ground – whereby investors either use their capital to alleviate the economic plight of women and girls, and/or reward companies that empower women[5] – this is a serious oversight by the industry.

Women are expected to hold 32% of private wealth by 2020

[2] https://www.moneymarketing.co.uk/financial-jargon-putting-women-off-investing/
[3] https://hbr.org/2019/03/when-will-we-see-more-gender-equality-in-investing
[4] https://knowledge.wharton.upenn.edu/article/why-gender-lens-investing-is-gaining-ground/
[5] https://www.bls.gov/news.release/pdf/wkyeng.pdf

Of course, “Investing in women and girls is not about negatively affecting men and boys or leaving them out,” as womeneffect.com so neatly puts it. “However, gender inequality has been ignored for so long that there is value in overemphasising this now.” Those in the investment industry would do well to listen – and react.

Less talk, more action

As well as putting plans in place to address their workforce imbalances, firms must also start to rethink their product offerings and how they market them. After all, women have different investment preferences and priorities. For example, 84% of women are interested in sustainable investing, compared to 67% of men, according to figures from Morgan Stanley research[6].

Adjusting the firm’s positioning around sustainability, while simultaneously addressing female investors more explicitly, could be a clever way to move traditional firms into the 21st century.

This idea is part of a broader move by the EC to bolster green investments and combat potential investment risks arising from climate change. The hope is that this new legislation would also standardise market practice around sustainability, which is currently fragmented and arguably more grey than green.

Small tweaks to brochures and vocabularies could result in investment firms being able to unlock much larger potential among female investors.

[6] https://www.barrons.com/articles/what-wealthy-women-want-1520531819

The worry, though, is that turning sustainability into a duty would result in many firms treating it as a box-ticking exercise. This would be a huge step backwards for true proponents of sustainability. Asset managers looking to leverage sustainability as a competitive differentiator must be clear about how seriously they take it. It must be embedded in their culture, not just peppered across their branded literature.

Meaningful change

Firms must also enshrine sustainability within their investment process, rather than alienating it. Just as vegetarians were once consigned to picking their meals from a “special” section on a restaurant menu, forward-thinking eateries now have meat-free options as part of their stock-in-trade. No one is made to feel like an outsider for wanting something different. Inclusivity is the order of the day.

In the US only between 1% and 3.5% of assets under management are controlled by women and only 4% of leadership roles are held by women.

BlackRock is one firm that has taken this to heart. "Investors need not adjust their financial goals to invest with purpose," reads their sustainable investing information. "BlackRock's sustainable funds are designed to meet the performance characteristics of traditional investments while targeting specific social impact objectives, such as reducing the carbon footprint of an investment portfolio.[7]"

The firm has also been quick to pick up on investor sentiment around sustainability and ethical investing considerations, which often go hand-in-hand. A moving example of this is the firm's reaction to high school shootings in the US.

In early April 2018, BlackRock announced that it would exclude civilian gunmakers and the majority of gun retailers from the firm's existing socially responsible mutual funds and exchange traded funds (ETFs)[8]. In addition, the firm has launched two new ETFs that prohibit the inclusion of producers of civilian firearms and large retailers of guns[9].

This is precisely the type of action that will catch the eye of, not only the global press, but also investors looking to drive social change. So, if investment firms are serious about future growth and success, they must start taking diversity and sustainability seriously. With the right products and some smart marketing, these two "soft" topics could potentially deliver concrete returns for firms and investors alike.

84% of women are interested in sustainable investing compared with 67% of men.

[7] https://www.blackrock.com/investing/investment-ideas/sustainable-investing
[8] https://www.ft.com/content/77e45bc8-3bdc-11e8-b9f9-de94fa33a81e
[9] https://citywire.co.uk/wealth-manager/news/blackrock-ups-ethical-range-with-series-of-etf-launches/a1207226

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We can help you

Brands that pay the closest attention to how varied audience segments think and feel about their finances and use content to address their needs effectively are in the best position to benefit from their value. If you're looking for insight-rich, purpose-led, high-impact content that gets results, please get in touch.

Meanwhile, why not take a look at our showreel and find out more about how we help brands like yours better connect with their audiences.

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