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Women + Wealth

How investment managers can create a sustainable advantage

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Female financial power

Women currently hold around 32% of the world's wealth and their share is expected to rise further, to $97 trillion by 2024.[1] This is despite pandemic-related job losses, halted progress, pay disparity and limited VC funding for women. In the UK alone, it's forecast that 60% of wealth will be held by women by 2025, according to the Centre for Economics and Business Research.

While female wealth and financial power grows, the wealth industry is failing to keep up with its own gender diversity. Representation lags behind |– female financial advisors represent just 15% of the industry[2] despite ongoing progress in hiring and leadership programmes. This limits the breadth of expertise and knowledge to keep pace with the changing investor landscape.

And further strengthening the case for a dedicated and supportive approach to female wealth in the great intergenerational transfer that will occur in the next few decades. According to Boston College's Center on Wealth and Philanthropy, women will inherit up to 70% of that wealth.

Why then are investment managers still underserving female clients and under-representing women in their workforces?

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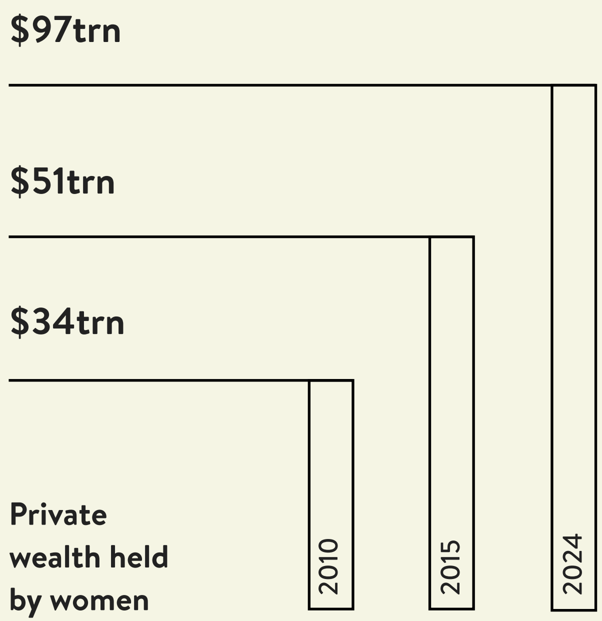

[1] Women's Wealth 2030: Power, Parity and Purpose, UBS
[2] https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management

Risk and approach

Not all firms account for the fact that men and women can have different approaches to investment risk, and may in fact underestimate the appetite for investment by women. Not to mention the decades of marketing typically centred around the image of a 50-something 'stale pale male' – matched with content that does not necessarily speak to the concerns and questions of female investors.

Although risk in financial decisions traditionally looks at the numbers, the decision-process takes into account many qualitative factors on the consequences of an investment decision; on individuals and society as a whole. Research shows that women tend to take greater risks dependent on the context, and can be likely to take on more 'social risk'.[3]

An academic study also demonstrated that impact investment firms with higher proportions of women in top management took 'significantly more risks' in their investment decisions, especially where social-impact issues are concerned.[4] The perception that women in general may be more risk-averse can filter into the hiring decisions of investment firms themselves.

A study by investment firm Fidelity supports the idea of a confidence gap at play – women underestimated how well their investments would perform, when in fact their choices outperformed men on financial returns. This confidence and caution gap may be why Hargreaves Lansdown found women trade shares nearly half as frequently as men, avoiding regular commission fees and expenses associated with frequent trades.[5]

Despite continued progress in hiring and leadership programmes, representation still lags behind – female financial advisors represent just 15% of the industry.[2]

[3] https://hbr.org/2020/12/how-the-gender-balance-of-investment-teams-shapes-the-risks-they-take
[4] https://hbr.org/2020/12/how-the-gender-balance-of-investment-teams-shapes-the-risks-they-take
[5] Women investors get a bad rap, Hargreaves Lansdown, 2017

HSBC research has delved into other factors at play that can be confused with being risk averse – the bank found that 17% of women spent more than a month researching investment options compared to 13% of men,[6] and that more than a third of women are put off by financial jargon, when only a quarter of men are – despite equal investment knowledge.[7]

The real risk lies in retention of underperforming investments, and this is where proactive guidance and advice is needed. Firms must do more to understand how gender diversity can be built into the investment process and marketing materials. Small tweaks to brochures and vocabularies could result in investment firms being able to unlock much larger potential among female investors.

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[6] https://www.privatebanking.hsbc.com/wih/investments-Insights/investment-tips/how-women-and-men-invest-differently/
[7] https://www.moneymarketing.co.uk/financial-jargon-putting-women-off-investing/

Bridging the hiring gap

In 2019, only 14% of fund managers at UK firms with AUM of between £30bn and £700bn were women.[8] The Alpha Female report found that at the current rate of progress, it will take 195 years to reach a point where 50% of fund managers worldwide are women.[9]

In the US investment sector, which includes investment management, mutual, hedge, venture capital and private equity funds, just 4% of women are in leadership roles and control just 1% – 3.5% of assets under management.[10] When compared to other previously male-dominated professions such as medicine and accountancy – whose workforces (in the UK at least) are now over 40% female[11] – it's clear that the investment management sector has plenty of room for improvement.

Data around gender pay gaps in the UK has only added fuel to the fire. A report from PwC suggests a 30% gender pay gap across the UK's investment management industry, compared to a median mean pay gap of 14%.[12] 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,[13] this is a serious oversight by the industry.

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.

The one emerging exception is the notable rise of women in top leadership positions where sustainable investing is a priority – women lead ESG units at firms including JPMorgan Asset Management, Invesco and Fidelity Investments.[14]

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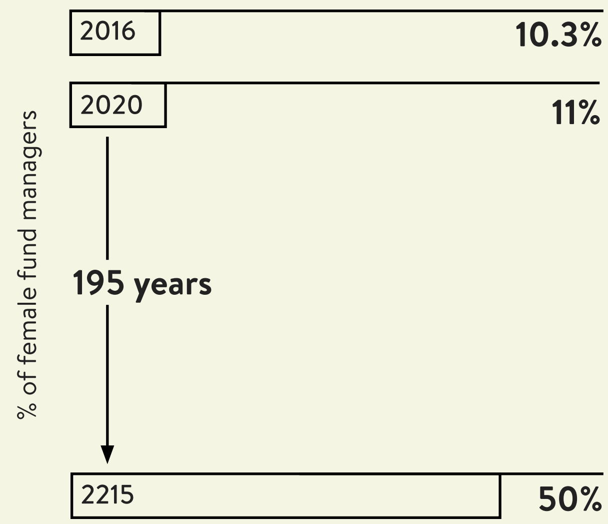

[8] https://www.investmentweek.co.uk/investment-week/analysis/3076557/-uk-female-fund-manager-shown-growth-decade
[9] https://citywire.co.uk/Publications/WEB_Resources/alpha-female/alpha-female-2020-dollars.pdf
[10] https://hbr.org/2019/03/when-will-we-see-more-gender-equality-in-investing
[11] https://www.ipe.com/analysis/analysis/women-in-asset-management-redressing-the-balance/10016328.article
[12] https://www.pwc.co.uk/services/human-resource-services/gender-pay/spotlight-on-investment-management.html
[13] http://knowledge.wharton.upenn.edu/article/why-gender-lens-investing-is-gaining-ground/
[14] https://fortune.com/2020/01/24/responsible-esg-investing-women-finance/

Making a positive impact

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.

Investors increasingly want to put their money to use in ways that reflect their personal values. Alongside the traditional security, liquidity and yield criteria, another factor favoured by female investors is gaining ground: social purpose and business for social good.

Older values connected with well-trodden approaches to investment management still proliferate through heritage and challenger brands alike, but the profit-drivers of yesteryear are continuing to lose favour with each successive investor generation.

No firm progresses by standing still. And by ignoring investor demands, investment managers are reducing their ability to attract new clients, retain existing ones, and foster meaningful innovation.

Just a few years ago, women were leading the trend of ESG investment – 84% of women were interested in sustainable investing compared to 67% of men,[15] but a recent study by BNP Paribas found that 70% of male and female entrepreneurs are now more willing to consider sustainable and responsible investments. 51% of HNW women entrepreneurs already include sustainable investments in their portfolio.[16]

In fact, adjusting a firm's positioning around sustainability, whilst simultaneously addressing female investors more explicitly, could be a clever way to move traditional firms into the 21st century. This is especially true given the European Commission's (EC's) initial political agreement being reached in March 2019 to push ahead with a legislative proposal outlining that investment managers and institutional investors have a duty to consider sustainability when making investments.[17]

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.

[15] https://www.barrons.com/articles/what-wealthy-women-want-1520531819
[16] https://perspectives.bankofthewest.com/impact-investing/women-take-the-lead-in-impact-investing/
[17] https://www.ipe.com/eu-sets-out-plan-for-investor-sustainability-disclosure-rules/10029957.article

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.

The growing focus on sustainability means that wealth management providers need to define and differentiate their products, explaining their impact on the world as well as delivering financial returns. As interest in ESG grows in step with awareness, there is a role for marketers in decoding changing frameworks on sustainable finance.

Marketers in wealth management looking to attract women and younger generations of HNW and UHNW individuals are recommended to bring sustainability to the top of their agenda to capture initial interest. In the future, wealth managers will have to disclose their own ESG strategy, so this should be integrated into communication and marketing plans.

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

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The changing role of advisors and content

Advisors are increasingly being prompted to offer financial and life-planning advice, where wealth managers become 'financial therapists' according to EY.[18] Clients are looking for a 'bolder, purpose-driven narrative' – wealth management providers will have to ensure 'emotional resonance' in their offerings and delivery, such as building communities that share recommendations and investor peer connections.[19]

This step is also a supportive move in bridging current gaps in information and advice sought by women during their investment research and considerations. Ecommerce and digital behaviour trends over 2020 have driven 'research-intensive consumer behaviour' around purchases and investment decisions.[20]

Interpreting data and turning it into insights at a fast pace will set some wealth providers ahead of the pack especially since 2020 has increased the 'appetite for information that helps people understand and respond' to ongoing events.[21] This also plays a part in acknowledging women investors' desire for increased knowledge around the multiple facets of an investment decision and going beyond the limited element of numbers only.

For example, a well-managed social media strategy that builds strong bonds with internal experts is helpful for delivering concise insights on a timely basis – the lag between gaining information and publishing should be closed as much as possible.

Interpreting data and turning it into insights at a fast pace will set some wealth providers ahead of the pack.

[18] https://www.broadridge.com/_assets/pdf/broadridge-wealth-and-asset-management-2021.pdf
[19] https://image-src.bcg.com/Images/BCG-Global-Wealth-2020-Jun-2020_tcm9-251066.pdf
[20] https://www.capgemini.com/nl-nl/wp-content/uploads/sites/7/2020/07/World-Wealth-Report-WWR-2020.pdf
[21] https://image-src.bcg.com/Images/BCG-Global-Wealth-2020-Jun-2020_tcm9-251066.pdf

Final thought
Taking your investment and wealth management firm into the future and supporting the ever-growing financial power of women, requires some changes:

- equal representation in hiring and your client strategy
- help to close the confidence gap through supportive and practical content
- think about risk in a different way
- tailor your marketing strategy accordingly.

A well-managed social media strategy that builds strong bonds with internal experts is helpful for delivering concise insights on a timely basis.

Ready to talk?

Who we are

Editions Financial is the UK's only content marketing agency dedicated to finance. For more than 20 years, we've created content for the world's leading financial services organisations, helping marketers send the right messages to the right audiences at the right time. In the past four years alone, we've successfully delivered more than 3,000 content projects for leading global financial brands.

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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