

Advising professional women: more than a niche market

Overview

Professional women, strengthened by rising education levels, unprecedented workforce participation and greater income and wealth, are increasingly assuming more powerful roles in personal and family financial decision-making.

For financial advisers who acknowledge the influence of professional women and their growing levels of wealth, and are prepared to tailor their approach accordingly, this market presents significant untapped potential.

Featured interviewees



“

You cannot pigeonhole a professional woman, but in terms of the common characteristics, they're smart, savvy and driven. ”

Claire Mackay • Principle and head of advice • Quantum Financial



“

They want to have their whole situation reviewed, not just one certain element such as investments. ”

Naomi Rosenthal • Executive financial adviser • Tudor Investassure Pty Ltd

Learning objectives

After reading this article you should be able to:

- Identify some of the typical advice issues and needs of professional women
- Describe specific characteristics of female clients that advisers should take into account
- Discuss the benefits and challenges to advisers in providing advice to professional women.

Knowledge areas and accreditation

Knowledge area: Financial Planning (75 minutes/1.25 points).

FPA CPD points 1.25 Dimension: Capability (FPA 008110).

AFA CPD points 1.25 (AFA 01022009).

CPA Australia CPD points 1.25 (CPA 000064).

The power of the purse

With female university graduates outnumbering men in many fields and an increasing number of women earning more than their male counterparts, the number of Australian women who are in need of financial advice is on the rise.



Consider

There are more than a few reasons to target this potential market, according to findings from US-based research company the Centre for Talent Innovation's 2014 report, *Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth*.

These include:

- Women controlling over 27% of the world's wealth
- Women influencing how wealth is managed — 66% of women in all the countries sampled (the US, UK, China, Hong Kong, and Singapore) identified as primary decision-makers over household assets
- 53% of the women surveyed did not have a financial adviser. Of the 47% who did have a financial adviser, 67% felt misunderstood by their adviser.

Tudor Investassurance's executive financial adviser Naomi Rosenthal suggested that there should be an increase in programs specifically targeted at engaging women with financial advice.

Women make up an estimated 51% of the Australian population, according to the Australian Bureau of Statistics 2011 Census. Rosenthal believed that this represents a substantial potential market that advisers would be wise to tap into and presents "a clear advantage from the outset".

"There are so many women out there who definitely need advice, and not just professional women," she said.

"If you can build a really solid relationship based on making those emotional connections with women, and taking the time to listen to their needs, then those women are going to be a lot more loyal to the business."

Quantum Financial's principle and head of advice Claire Mackay added that women, in particular, are looking to create a bond and are great networkers.

"I network with them outside of the client-adviser relationship. We're supportive of each other, and the conversations are not just about their wealth plan. It's about their careers and about their families," she said.

"We're all going through similar issues, and supporting each other through that is fabulous. That means that you're more referable to other like-minded clients."

The typical financial profile of professional women

Mackay identified her typical professional female clients as generally aged 40 or older.

"You cannot pigeonhole a professional woman, but in terms of the common characteristics, they're smart, savvy and driven," she said.

“They have successfully built up their careers and a degree of wealth with that. These women come to me because they realise that they don’t want to keep working forever and wish to build on their success to be able to create their dream retirement.”

Rosenthal added that there is a particular income bracket common to the profile of a professional woman seeking advice.

“For a professional, you’re probably looking anywhere from \$75,000 upward, but \$100,000-plus to me would constitute someone in a professional capacity,” she said.

Financial goals

Mackay reiterated that professional female clients have very clear goals regarding what they wish to achieve.

“For most of my professional clients, the mortgage is not a concern, and insurance is even less of a concern,” she said.

“It really is about focusing on, ‘When can I retire?’ and, ‘Can I have the lifestyle of travel?’ and all the other dreamlike things that they enjoy doing, with a focus on financial independence and freedom in their later years.”

Non-financial goals

It is essential for an adviser who is working with a professional female client to understand that a lot of the time, the non-financial goals involve preparing for and dealing with specific personal life events.

Rosenthal highlighted that women tend to want to plan for maintaining a career and a family.

“They want to understand how they can maintain their career and look after their aged parents as well because they tend to be more the carers of their parents,” she said.

“It’s about achieving the flexibility to be able to do all of those things and care for their loved ones, as well as work in a professional capacity.”

A common issue that professional women face relates to job security and longevity. Mackay explained that as a result, discussions outside of wealth planning are often around skills development.

“A number of my clients have pursued opportunities overseas in start-up businesses and the like, so our discussions are far reaching,” she said.

“I have a number of clients in the media — which is a challenging industry and job space at the moment — so working closely with clients and understanding their needs at a personal level is vital because these professional women are financially dependent on themselves.

“Making sure that they have confidence and opportunities and that we work through these opportunities while keeping in mind what that means for their finances is important as well when it comes to their non-financial goals.”

Superannuation

Professional women have to be conscious of the issue of longevity, both in relation to their own career and the fact that their life expectancy is generally longer than that of men. As a result, the need to have appropriate insurance and superannuation in place is essential.

According to Mackay, women should also be conscious of the importance of long-term wealth building rather than “quick-hit” solutions.

“My professional women clients have a focus on building up their superannuation. As one of my clients said, ‘This is me. There’s no-one else, and I’m concerned that I’m going to have to start supporting my parents and my sister too, but I’m the one that’s got to support myself. There’s no plan B,’” she said.

“Also, with greater review of our superannuation system and the wider concerns around women — the pay gap and the breaks in careers — there is an awareness that women on the whole generally have less superannuation than their male counterparts.”

What advice would you give a middle-aged woman who was worried about not being financially prepared for a comfortable retirement?

“I remember speaking to a woman exactly in that situation, where she knew that she was in her 50s, she didn’t have a great deal of super, and she was concerned about her financial security, going forward,” Mackay said.

“The key thing is, yes you could have made decisions yesterday or last year, but once you make a decision, it’s never too late. So, yesterday was great, but today’s just as good — it’s that focus on, ‘This is the first day of the rest of your life’.”

Rosenthal reiterated the point that “it is never too late” to begin planning for the future.

“It all depends on what [the client’s] financial circumstance is at that point in time, but there are always strategies that you can put in place to help them build to make their retirement a little bit more comfortable,” she said.

“You may not achieve the same equality that a man might have at that point, but you are working towards something and you may just get there, depending on the strategies that you employ.”

Gender disparity

The *2015 Westpac Retirement Readiness Report* determined that there is a \$145,000 gap between the median superannuation account balance for women and men, aged 60 to 64, in Australia.

The three chief causes of the superannuation gap consist of:

1. The gender wage gap
2. Time out of paid employment
3. Working hours.

The gender wage gap

There is currently a full-time average weekly earnings difference of \$277.70, which is equivalent to a full-time gender pay gap of 17.3%, according to the Workplace Gender Equality Agency 2015.

Time out of paid employment

Many women become mothers or primary caregivers, resulting in irregular career paths. This can impact heavily on finances by limiting future career options, influencing short-term cash flow and reducing contributions to superannuation.

Working hours

Females have a higher likelihood of working in part-time employment.



Did you know?

The Senate Economics References Committee report *A husband is not a retirement plan: achieving economic security for women in retirement* — released 29 May 2016 — provided a good starting point to address the gender gap, according to ASFA.

From the 19 key recommendations, ASFA welcomed:

- Paying the Superannuation Guarantee (SG) on parental leave
- Abolishing the \$450 per month minimum income threshold for payment of the SG
- Maintaining the low income superannuation contribution
- Increasing the SG to 12% as soon as possible
- Amending the *Sex Discrimination Act 1984* to allow higher superannuation contributions.

The report also acknowledged issues that are outside of superannuation, such as pay rates and workforce participation, which are also important in addressing gender disparity.

Rosenthal emphasised the importance for women to begin planning their retirement early on, and establishing contingency plans in case superannuation turns out not to be enough.

“Women tend to take lower risks with their investments,” she said.

“It’s about helping women understand that perhaps they need to take a lot more risk in order to save and achieve what they need to have in retirement.

“If they’re partnered, you can consider various strategies to equalise the superannuation accounts. But if they’re on their own and just starting out, it is about providing them with the opportunity to look at how they can manage, not just their current short-term and medium-term needs, but making them understand the importance of that retirement piece.”

Are women less interested in investing?

Mackay believed that women’s regard for investment is not so much a lack of interest, but a difference in financial priorities.

“It is one part of a holistic approach to their finances and to their financial security,” she said.

“There is a tendency for men to want to focus on the exciting decision-making around specific investments, whereas women are more concerned about making sure that they have complete financial security across their financial affairs.”

Conversely, Rosenthal suggested that it was perhaps a lack of financial literacy rather than a lack of interest on the part of women that explained their comparative disinterest in investing.

“If they had a lot more knowledge, they’d have a lot more confidence. They’d have a lot more desire to want to be investing,” she said.

Life events that prompt women to seek financial advice

Mackay observed that women are often prompted to seek financial advice due to career success or when confronted with major challenges.

“Their business is at a certain point or their practice is at a certain point. They’ve received promotions or their business is growing into the next stage and they have really focused on, ‘What am I doing with this wealth’ and, ‘How can I make it work for me?’” she said.

“The other side of things is when there are challenges — the death of a partner, separation — and it’s really about, ‘That stage of my life has come to an end. This is the next stage of my life. How do I best utilise what I have to look after us in the future?’”

Rosenthal suggested that challenges and changes to the family unit are the most common causes resulting in women seeking advice.

“The biggest things would be relationship breakdowns. So, separation or divorce, a death of their spouse or having children, starting a family,” she said.

“But then there are all the other things that they would want to seek advice for. I have somebody coming to me very shortly, and the impetus for her was that she wanted to start saving. She hasn’t really had any skills around budgeting and managing her cash flow, and she wants to do things with her money down the track.”



Case study

Assuming financial responsibility when a spouse falls ill

Kim’s husband, Greg, was diagnosed with brain cancer, which is getting progressively worse. Kim is assuming more and more of the tasks that were once Greg’s domain, such as looking after their financial affairs.

Kim has never paid the bills, dealt with banks, managed the budget, invested in the markets, looked at their superannuation or communicated with Centrelink. Now she has to cope with it all, on top of being primary carer for her husband and working part time.

As Greg’s condition worsens, he can no longer climb stairs in the family home, so she is also faced with selling the home and buying another property.

Kim and Greg’s financial adviser, Meg, restructured their affairs for simplicity and gives Kim guidance on dealing with various institutions. Meg introduced her to a local real estate agent to assist with the house sale, and helped her navigate a range of different issues she is facing — both financial and non-financial.

Meg maximised Kim’s contributions to superannuation to provide greater tax-effective income streams in retirement. She built portfolios in line with Kim and Greg’s tolerance to risk and to provide sufficient diversification. Meg also assisted Kim to draw up a realistic budget and better understand cash flows.

Unfortunately, Greg passed away sooner than expected. With a reversionary beneficiary in place, Meg made it easy to transition his pension, liaised with Kim’s solicitor, and took on a nominee role with Centrelink.

Meg optimised opportunities to maintain Centrelink benefits — by utilising gifts to children, and a funeral bond — and established an annuity to provide a secure, lifetime income stream for fixed expenditure and to minimise longevity risk, in conjunction with an account-based pension.

Although Kim continues to grieve, she knows she does not have to worry about money.

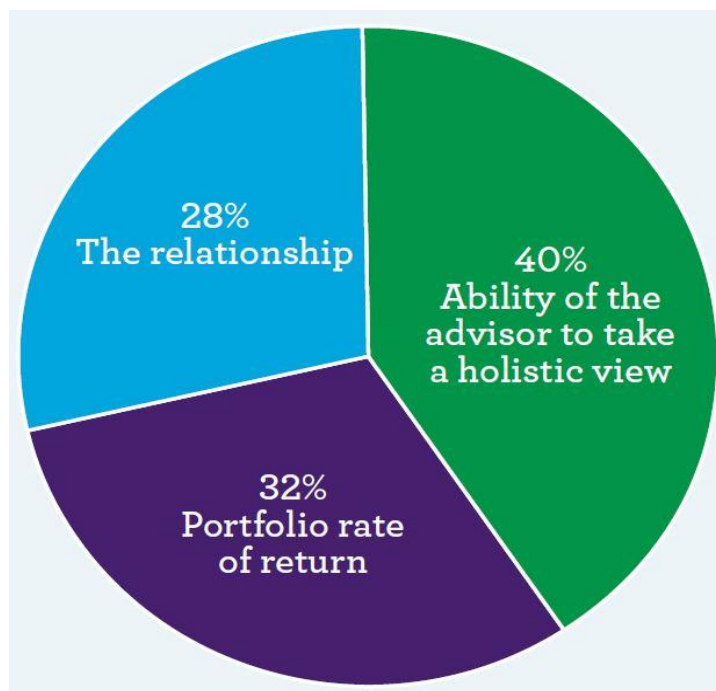
Source: Tudor Investassure

Working with financial advisers

When assessing financial advisers, professional women typically value the ability to focus on their overall financial picture as the most important attribute — ahead of focusing on portfolio returns — according to the 2014 *Affluent Women Retirement Survey* by US bank Wells Fargo.

US market research company Versta Research conducted the survey of 1,872 women — between the ages of 40-79 — holding a minimum of \$250,000 in household investable assets. The survey found that 40% rated the “ability of the adviser to take a holistic view” as most important, trumping both the “portfolio rate of return” and “the relationship” with the adviser (see Figure 1).

Figure 1: How advisers are evaluated by professional women



Source: Wells Fargo, 2014

Holistic advice

Financial advisers who are interested in attracting and retaining professional women clients should take note of these preferences in their approach to these clients. As determined in the Wells Fargo survey results, the type of advice typically sought by professional women is holistic advice.

According to Mackay, it is very rare that female clients want transaction-only advice.

“It’s typically a partnership that they’re seeking to create with me, and working together for their financial security. The really important thing is that we partner with our clients, they recognise that we’re working together, and that they have valuable input to bring to the table,” she said.

“Also, working together in the other areas such as in their family, their career, and the other aspects of what they define as wealth.”

Mackay identified that this differs from the approach taken by professional men, which is generally more transactional.

“It’s transactionally focused right down to investing decisions because that’s where they find the exciting part, whereas typically professional women realise that it’s one aspect of a greater scheme,” she said.

Rosenthal agreed that the holistic approach is much more appropriate when it comes to female clients.

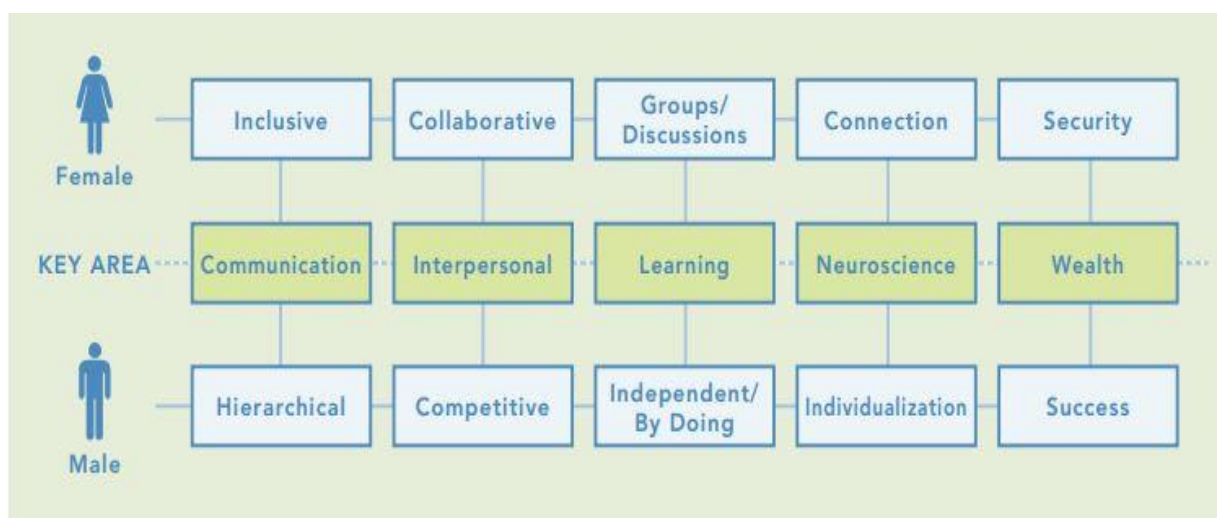
“They want to have their whole situation reviewed, not just one certain element such as investments. If you can be a one-stop shop and have specialist expertise in various areas — such as superannuation, risk, mortgage broking, and legal — available in-house, then you’re much more likely to potentially retain them as a client because you’ve captured all of the areas that are of concern to them,” she said.

“To me, budgeting or managing household finances and estate planning services are part and parcel of what we do in terms of looking at a client’s situation and assisting them with their financial planning goals.”

Winning the hearts and minds of female clients

It is important for advisers — before they begin tailoring their approach to female clients — to understand the attributes that separate the sexes. According to US wealth psychologist Kathleen Burns Kingsbury in her 2013 book *How to Give Financial Advice to Women: Attracting and Retaining High-Net-Worth Female Clients*, there are five main differences that should be taken into consideration when it comes to working with female clients: communication, interpersonal, learning, neuroscience, and wealth (see Figure 2).

Figure 2: Gender differences



Source: Kingsbury 2013

According to Mackay, one of the most effective additional services that a financial adviser can provide as a value-add — to attract and retain professional women as clients — is extending services to their family members.

“One of the things that a lot of our clients, particularly our female clients, really appreciate is that part of our service is to give general advice to their children,” she said.

“Their concerns are really about the people that they care about — their parents and their children — so working with them to help their parents into appropriate accommodation and appropriate financial structures because they are generally the person in the family that gets called upon to help out.”

“Must-have” skills

Mackay highlighted that technical skills are essential and clients, both female and male, won’t be fooled if they sense that these skills are lacking

“Interpersonal skills and the ability to empathise are absolutely essential because professional women are seeking a partner. They’re not seeking someone to tell them what to do,” she said.

“They’re seeking someone to be their partner, to build and protect their wealth and to create confidence that they have financial security.

“The really important thing is being able to communicate in a way that they understand — the use of jargon and barriers is a real turnoff for a lot of professional women clients — because they’re smart and savvy. They’re good at their job. They don’t want someone to make them feel that they shouldn’t understand their own finances.”

Working with couples

Mackay noted that advisers should be conscious of the particular relationship dynamics when working with a couple.

“We always ask in the early days of the relationship with clients that they both come to the meetings. What we generally find is that over time, one person will take the lead, but it doesn’t mean that they’re taking the lead in only the decision-making,” she said.

“What we find sometimes is that they might take the lead in the management, but power of veto rests with the other — it’s that making sure you’re building the relationship with both members of a couple.

“If something happens to that person and they’re no longer around, you might not have a strong relationship with the female and, therefore, you might lose that relationship.”

Addressing the gender imbalance

At the end of 2015, the AFA determined that of all financial advisers in Australia, only 20% were women. Mackay shared her experience as a female in this very male-dominated industry.

“When I first started going to events with my father, it was ‘male, pale and stale’ and I was one of the only females in the room. I was certainly one of the youngest people in the room,” she said.

“I’m not so young anymore and not necessarily the youngest in the room, but it’s still overwhelmingly dominated by men. I think that’s a shame because females are great at

working in the advice industry, but also clients are seeking them. If you've only got a choice of male advisers, then you can't necessarily identify with a female client.

"If you're only trying to attract a certain type of client, then that's fine. But if you're wanting to broaden your client base beyond what you represent, then you need to bring in people that can identify with that client base.

"There has been a huge push in our profession in recent years to encourage development of great female advisers. There are various industry awards recognising female financial advisers, which is brilliant because it inspires the next generation. In every business, that balance brings a different way of thinking.

"It's that collaborative approach. It's that partnership and your clients are seeing that you're supporting diversity in your business because they've got daughters, they've got nieces, they've got sisters, and they want their families looked after just as well as they are."

Mackay added that there's no doubt that some professional women are seeking a female adviser and they are quite open about it.

"They're seeking people that they can identify with. If someone is self-selecting and asking for a female adviser, no matter how good a male adviser is, he can't be female. That is just the way of the world," she said.

"That's why if you're building a practice with other advisers, encouraging the development of female advisers in your business is critical."

Rosenthal observed that it comes down to the ability to connect with the female client.

"Men don't read women as well as women read women. They miss some of the subtleties and cues that women can give out during a conversation, which can be a hurdle to building and maintaining relationships," she said.

Conclusion

In today's society, women are working more, earning more and taking a more substantial role in the financial planning of their own and their families' security.

For advisers, a sharper focus on this segment of the population and more careful tailoring of their business approach to professional women — requiring an understanding of their specific needs and willingness to approach the advice process in a way that works for them — will only be beneficial to their business over time.

To give advice on the product(s) referred to in this article you must be licensed or accredited by your licensee and operating in accordance with the terms of your/their licence. Kaplan Professional recommends consulting a tax adviser on matters relating to tax advice and a legal professional for legal advice.

DISCLAIMER

This document was prepared by and for Kaplan Education Pty Limited ABN 54 089 002 371. It contains information of a general nature only and is not intended to be used as advice on specific issues. Opinions expressed are subject to change. The information contained in this document is gathered from sources deemed reliable, and we have taken every care in preparing the document. We do not guarantee the document's accuracy or completeness and Kaplan Education Pty Limited disclaims responsibility for any errors or omissions. Information contained in this document may not be used or reproduced without the written consent of Kaplan Education Pty Limited.