Women and Money

Research reveals unmet opportunities and risks

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It's no secret that women-owned wealth in America is expanding rapidly, and along with it, unprecedented demand for high-quality financial services, products and advice. Research studies across academia, the industry and the media universally affirm the growing financial clout of American females. Women and money is a hot topic, as evidenced in recent feature articles and series in *The New York Times, The Economist, Harvard Business Review, NBC,* as well as *Newsweek* and *Time* magazines. Many refer to the "new female economy," reflective of the progress women have made in recent decades, and predict that American women will play significant roles in fueling the nation's economic growth in coming years.

DRIVERS OF WOMEN-OWNED WEALTH

To appreciate the increasing opportunities that American females present to financial professionals, it is useful to set context relative to the fundamental drivers of personal wealth creation—education, employment and earnings.

Education

Foremost among wealth drivers are the educational achievements that women have made. According to the Department for Professional Employees, for nearly three decades, women have earned more bachelor and master degrees than men. While the number of males earning a college degree more than doubled during the same increment of time, the ranks of female college graduates nearly tripled. Females increasingly dominate the ranks of Americans holding a bachelor degree, particularly among younger cohort groups. According to The Pew Research Center, there were more female college graduates (53.5 percent), than male (46.5 percent) among the 30- to 44-year-old age group. In addition, women have greater representation among those attaining master and doctorate degrees. Advancements in higher learning are extremely important trends for financial professionals to watch because they suggest what the future holds for the industry.

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Earning Power

Beyond their growing achievements in education are the significant gains American women have made in earning power. The frequently debated "pay gap" has narrowed significantly over the past 50 years. In the early 1960s, American women on average earned about 40 percent less than men. By 2008, the gap narrowed to a 24 percent differential, with American females earning roughly 76 cents on the dollar compared to 60 cents in the 1960s.

There can be no doubt that the increased earning power of females has been transformative on both our society and family relationships. Along with progress made in education and earnings, it is only natural that the financial contributions American women make to their families' income have naturally grown as well. Nearly two-thirds of the nation's families depend on two incomes, with women increasingly filling the role of breadwinner. According to the U.S. Census Bureau in 2003, at least half of all wives earned as much as their husbands, with at least one-third earning more. Many believe that the 2008/2009 Great Recession further leveled the field, as the unemployment toll has been greatest on traditionally male dominated occupations (such as, construction).

Dramatic changes in the American workplace have also occurred in a relatively short period. In 2000, 60 percent of American women were working full-time outside the home—nearly twice as many as in 1950. Beyond the increased quantity of females in the workforce is the increased quality of the positions they now hold. While there remains a "glass ceiling" at the highest levels of corporate leadership positions

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(women represented just 16 percent of Fortune 500 corporate officers in 2009), according to U.S. Census Bureau data, more than half of all persons employed in management, professional and related occupations today are female.

Entrepreneur

One of the most notable areas of growth is the rapid expansion of female entrepreneurs. More than 10 million firms in the United States are majority or equally owned by women. Further, it is estimated by the National Women's Business Council that roughly half of all privately held firms are at least 50 percent owned by women. Research reveals that there is untapped potential in addressing the needs of both female employers and their employees.

A LIMRA study conducted in 2006 found that just 26 percent of women who owned a business had a succession plan in place, indicating a strong need for professional financial advice. Taking care of employees retained by female entrepreneurs can also mean big business. According to the National Association of Women Business Owners and the Small Business Administration, women employ approximately 27 million Americans. However, LIMRA reports just one-fifth of women business owners were satisfied with their firm's employee benefits package.

Taken together, the gains American women have realized in the three drivers of wealth creation over the past sixty years are nothing short of remarkable. Watching and understanding the progress of females in these three areas is critical for astute financial advisors because they influence a wide swath of their prospects and clients, and point to future opportunities.

UNTAPPED OPPORTUNITIES

Rising out of the progress made by women in key economic drivers is the growth and scale of wealth they own. It is widely believed that women control more than half of the investment wealth in the United States. Additionally:

- The number of wealthy women in the U.S. is growing twice as fast as the number of wealthy men.
- Women represent more than 40 percent of all Americans with gross investable assets above $600,000.
- Forty-five percent of American millionaires are women.
- Forty-eight percent of estates worth more than $5 million are controlled by women, compared with 35 percent controlled by men.
- Sixty percent of high net worth women have earned their own fortunes.

Looking ahead, the future presents even greater asset and revenue generation opportunities for American females, and the financial professionals that serve them. As the ranks of highly educated, employed and affluent women swell, their demand for wealth accumulation, management and protection services will grow along with them.

The employment choices that women make will also influence their ability to accumulate assets. According to the Bureau of Labor Statistics, females represent more then two-thirds of employees in 10 of the 15 occupational categories that are expected to grow the fastest in the coming years. Along with transfer of inherited assets, some estimate that by 2030, women will control as much as two-thirds of the nation's wealth.

Despite the growing economic independence and affluence that the women's market presents to financial advisors, it remains largely underserved. According to LIMRA, while about half of female producers market to women, just 16 percent of their male counterparts do. Because financial service producers remain largely male dominated, only an estimated average of 20 percent to 25 percent of all producers intentionally market to women.

As their affluence and financial sophistication grow, more women will require the assistance of competent, trustworthy financial advisors to guide them.

UNMET RISKS

Many women will also need help in addressing risks that expose them to higher probabilities of poverty, particularly later in life. Paradoxically, while American women as a whole have benefitted from increased wealth creation and transfer, many are also exposed to higher financial risks than are men. Just as it is essential to recognize the drivers of wealth, it is also critical to understand the factors that jeopardize a woman's financial security, especially in her senior years. It is a sad commentary that the United States has the highest poverty rate for elderly females of all post-industrial nations and that approximately 75 percent of Americans over 65 living below the poverty line are women, according to the Business and Professional Women's Foundation.

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Heightened financial risks are frequently a result of factors related to lower income and asset accumulation, as well as longer life expectancies and more chronic health conditions relative to men. Because American females, on average, take 12 years out of their working lives to care for family members, their savings window is significantly shorter than their male peers. In addition, lower pay, whether a result of the "earnings gap" or occupational choice, means fewer resources to set aside for the future. Further exacerbating a woman's financial risks can be her greater longevity, not only requiring assets to stretch further, but also increasing the likelihood of becoming single later in life and the need for long-term care. Each of these perils is significant on its own merit, but when combined with others, the cumulative financial consequences can be catastrophic.

Financial risk exposure is magnified even more by the generally low financial literacy levels that many women have, across a broad range of key concepts and products, such as annuities, mutual funds, long-term care insurance, and stocks and bonds. Research reveals that the likelihood of being on welfare is inversely proportionate to financial literacy levels. Bottom line: the lower the literacy rate, the higher the risk of poverty.

BREAKING INTO THE UNTAPPED MARKET

In light of untapped opportunities and unmet risks, what action should financial professionals consider to succeed in the women's market? Action begins with education—first for financial advisors, then for their female clients and prospects.

Education for financial professionals begins with the recognition that there is no such thing as a monolithic "women's market" (just as there is no "men's market") for financial services. Rather, the market is composed of individuals with a vast array of different ethnic, education, economic, lifestyle and employment backgrounds. As such, it is important for advisors to gain a better understanding of the broadly shared issues facing women in general, as well as dig deeper to identify where niche opportunities exist. This requires a self-assessment of skill and expertise, evaluation of one's client base to profile "ideal" female clients that the advisor would like to replicate, along with analyzing and identifying those women's organizations/affiliations that represent a good fit. Once a niche audience is determined, researching the commonly held financial needs and attitudes will position the professional to better meet them through marketing activities, relationship and competency building, as well as product and service offerings.

As more women realize success and higher educational achievement, it is certain that they will expect their advisors to be more knowledgeable. Long-term success in the women's market will also demand continuous learning and ever-growing technical sophistication on the part of financial professionals.

Beyond self-education is both the need and expectation to educate female prospects and clients. Research by Oppenheimer Funds found that 90 percent of wealthy female investors felt that their planner should fully explain financial concepts, as well as advise them on decision-making.

Another study found that two out of three prosperous women placed high importance on the financial planner's ability to explain concepts. Helping a female client increase her financial literacy can lead to mutual benefit. Because providing financial education leads to greater client trust and wellbeing, professionals increase their opportunities to tap into incremental referrals, assets and premiums. More importantly, they position themselves to make a positive and lasting difference in the lives of the women they serve.

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Mary Quist-Newins, MBA, CLU®, ChFC®, CFP,® interviews Linda Mooney Norrie, LUTCF, Director of Women's Recruiting for MassMutual looking for reasons why there aren't more women in the financial services profession.