

What Are Women Doing About Their Wealth?

Disruptive Forces in Investing

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- Anu Rajakumar:** Over the course of centuries, women have fought to get a seat at the table. And while we've come quite a long way since women's suffrage and the women's liberation movement, there is still much work to be done, especially in the world of investing. Women account for 85 percent of the spending in the average household, and control about a third of financial assets in the US alone. In the next ten years, we anticipate a massive generational wealth transfer that is expected to triplicate the current number to an unprecedented \$30 trillion. So, with that in mind, what are women doing about their wealth, and what role do they play as investors in the greater economy? My name is Anu Rajakumar, and I'm thrilled to be joined by Stephanie Luedke, Head of Private Wealth Management here at Neuberger Berman, to share her thoughts on women in investing. Stephanie, thank you for joining me today.
- Stephanie Luedke:** Anu, it's a pleasure to be here. Thank you so much for having me.
- Anu:** So just to get us started, Stephanie, you've had a long and exciting career. Could you tell us a bit more about your background as an investment professional?
- Stephanie:** Sure. So, as you noted, I am responsible for private wealth management at Neuberger Berman, and in this part of our business we work directly with individuals and families to provide comprehensive wealth planning and investment management. I started my career in asset management 25 years ago, which is hard for me to believe, and throughout my career I've certainly had a front row viewing of how female investment trends have developed over time. These trends are accelerating as we speak and are poised to be quite disruptive in wealth management over the next several years. As you noted, according to a recent McKinsey study, \$30 trillion in assets will shift into the hands of U.S. women over the next three to five years. So, this podcast, Anu, is very timely.
- Anu:** Yeah, absolutely. And Stephanie, I know this is an area of personal passion for you as well, so I'd love for you to share some thoughts on investment trends that we're seeing with women investors today. I know this is not a one-size-fits-all—there are different demographics at work here. So, tell us about what you're seeing when it comes to female investors.
- Stephanie:** Right, so you're absolutely right, and sometimes these conversations can get awkward when we're really trying to make generalizations about a group of people. But in fact, the data does support very meaningful trends and distinct characteristics of female investors. And as with many things in our world, generations also determine a lot. So, generally we think about it in three categories. So, women as the surviving spouse and inheritor of wealth. And on average, you know, women live longer than men, about five years, to be exact. Another booming area is women as wealth creators and primary earners. So, an increasing portion of wealth creation globally is being driven by women, and women are also increasingly becoming the primary earners in households. And then of course you have the younger generations, and Millennials, and what we're seeing there is just women in younger generations much more engaged in investments than the older generations.
- Anu:** Yes, so true, and, you know, I'll speak as a female Millennial myself, and as an active social media user, I've actually found that even influencers that I follow are increasingly using their platform to talk about financial habits. It sounds like we're seeing more financial education into the social media mainstream, which is important because some of the platforms such as Instagram really have female-oriented audiences, I find. So, just to dig a bit deeper, Stephanie, how do you think that the female investment behavior looks in each of those three categories that you mentioned? And how does that compare to their male counterparts? And any examples you could give would be great.
- Stephanie:** Yeah, so notable what you're saying about what's going on in social media, and really investing for women becoming much more mainstream and an area also of becoming more informed and educated. And that's something we'll pick up on in our conversation today, I'm sure. There are generally three main areas of differences that we see in female investors, and I'll go through each of them. The first one we really can consider behavioral differences. Women tend to have a greater emphasis on trust and building a relationship with their advisor. There's definitely a confidence gap when it comes to female investors. But to be clear, this is not a knowledge gap, and this is a really important point that I like to make. When surveyed, women know just as much as their male counterparts. But they generally do not feel as confident. As a result, it's critical for advisors

to communicate well, to focus on education, as you pointed out, Anu, and to build trust. Women put a lot of stock in trust. Women also need to feel understood. More than two thirds of women feel that their advisor does not understand them or is not interested in them. I find that to be a really sad statistic, and something that we need to work on.

So, the second main area is around preferences and priorities. There's a greater focus on goals and objectives beyond investment returns that we see in female investors. This is really about women wanting to have confidence that their needs and the needs of their families will be met. Whatever their intentions are, right? So, this is about having a greater focus on planning for retirement, planning for healthcare needs, planning for the next generation, planning for philanthropic intentions. Whatever the objectives are, that type of planning and priority needs to be really understood and appreciated when coming to female investors. And this is really most evident, probably, when looking at planning for wealth transfer. Eighty percent of women currently lead or participate in decisions about family wealth transfer. This is far greater than female participation in investment decisions. Although we are seeing an increase in the percentage of women who participate in investment decisions, as I noted with the younger generations. You know, we're talking about 9 percent of Boomers participating in investment decisions, where you see something closer to 30 percent when it comes to Millennials. Now you overlay 80 percent of women currently leading or participating in decisions around family wealth transfer, you can see that as a priority for females.

And then the third area that I would highlight is around investments. And here's an area I think the industry has a great opportunity to better serve females. Right? There's a perception that women are more risk averse. This is not necessarily the case. From the research I've seen, and from firsthand experience, the reality is that women will take risks, but the risks need to be very calculated and fully understood. Right? So, I think this goes back to confidence and objectives. And this can be very informative in how to engage women about their investments, and how to construct strategies that are compelling.

Anu: Yeah, I think that is such an important myth that you have debunked there that women are risk averse, and something very important for folks to take note of. Something else that I wanted to touch on again, is that, you know, you talked about, goals and objectives beyond investment returns. I think this is also something to maybe dig into a little bit. And you talked about philanthropy. But I think that values approach is really important to a lot of investors too. And that kind of brings me another category about sustainable investing as well. What are you seeing in that sphere?

Stephanie: Yeah. You raise such a good point, Anu, and I think this is a trend and a preference that we're going to see unfold in a really material way over the next several years. There is very clear evidence that women prefer to invest in a manner that is aligned with their personal values. I could ramble off a gazillion statistics from lots of different research. Ninety percent of women surveyed believe that making a positive impact on society is important. Seventy-seven percent of women globally want to invest in organizations with diverse senior leadership. Sixty-four percent of women believe that a company's track record of environmental, social and governance matters is an important consideration in investing. I could go on, right? There is a tremendous opportunity to engage female investors in this way, especially given the advancements that the industry has made in sustainable investing and considering environmental, social and governance factors when making investment decisions. And being able to put forward investment strategies that women feel they understand, and are aligned with their values, is very compelling, and something that I think we'll see a lot more of as we look ahead.

Anu: Absolutely. And now Stephanie I'd love to talk a bit about women investors around the globe. And if you could share any trends or perspectives that you have noticed about female investors outside of the U.S.?

Stephanie: Right. So, you know, admittedly I happen to be responsible for U.S.-oriented business, but there is no doubt about it that these trends are very evident in economies all around the world, right? So just take Asia, for example. There's a significant portion of first-generation wealth creation being driven by female entrepreneurs. And that's just one example. There are many rising female professionals in countries across Asia and all around the world. And in places like Latin America and Europe where there is an expectation of a similar transfer of wealth to women in the near future. You know, maybe smaller dollar amounts than we're talking in North America, but still very meaningful. And, you know, bottom line, these trends are absolutely global.

Anu: Yeah, so you've made the case that this is an important trend, something that advisors certainly need to be taking notice of. But what is the industry actually doing to cater towards these investors? Are we currently serving them well at this time?

Stephanie: So, it's absolutely the right question to be asking, Anu. And unfortunately, the answer is that industry is not doing enough, to be honest. This has been a hot topic of discussion for several years, but I personally don't see a lot changing. Now, you know, one of the reasons goes back to demographics, right? So, most of the senior advisors in our business are male. In fact, only 15 percent of advisors across the industry are female today. And also, 40 percent of all advisors will retire over the next ten years. So, when you put those two things together, you have a lot of people who are truly going to be retiring with their clients,

and this sort of feels like other people's problem. It's the next generation's problem. Also, in fairness, these things take a lot of time, but there's no doubt about it. There's a lot that we can and should be doing. The fact of the matter is, really, the industry must adapt, and therefore it will. Women already make up the vast majority of household purchasing decisions, as you noted. Soon they will also control the majority of assets in the U.S. The firm that figures out how to appeal to women and meet their needs will outgrow the competition and will thrive in the future.

Anu: So, Stephanie, with that in mind, give us the cheat sheet: what do firms need to do to be best positioned to take advantage of this huge opportunity that we have? What does that look like in terms of financial education, outreach, engagement? What are we going to see in the next few years from Neuberger Berman and others?

Stephanie: Right, so this is the good news. There's a ton that we can do to address this great demand that we're going to see in the future from women and that we see today. So, I'll give you a few examples of what I think the industry could do to tackle this. One example is: build diverse organizations and diverse client-facing teams, right? Firms and businesses need to be focused on the next generation of leadership and client-facing teams to be positioned for this disruption. This is not as simple as having more female advisors, although that is necessary. But to be clear, not all women necessarily want to work with female advisors. Women want the things that we've been talking about. So, teams should be developed with diversity along several dimensions. Diversities in skills, diversity in communication styles, diversity in age, diversity in perspective, diversity in ethnicity and diversity in gender. Building diverse organizations in client-facing teams would be key to this.

Building relationships with female spouses. This is another really important area that everyone should be focused on right now. And to do this, really focusing on communication and listening skills, and developing trust, given the preferences and inclinations we talked about earlier. You know, engaging in matters that matter to women. Right? We know that planning and family wealth transfer in particular are really important to women. So that's a great starting place. Right? Engage those women in those areas and build trust and relationships. And coming from an investment organization – understanding the investment preferences of women, I think there's a huge opportunity here. And out of everything that we've talked about, I think this is getting the least amount of focus and attention, and there's a huge opportunity, right? Understanding risk aversion and some of the misconceptions we just talked about can be informative in how to engage women about their investments. And very importantly, how to construct and communicate strategies that are compelling, that they will be excited about, that they will be interested in, and that they understand how they align with their objectives.

And finally, there's a tremendous opportunity to engage female investors around sustainable investing, as we talked about. And given the advancements in the industry, around how to do this, and considering material environmental, social and governance factors, when making investment decisions, these two things are converging at a great time for serving female investors going forward. Disruptive, for sure, but should not be viewed as a threat. Adapting to meet the needs of women, could also get this industry on the path towards serving a more diverse client base, generally, in a way that reflects the diversity in the world around us.

Anu: Yeah, I think that's a terrific place to wrap this episode up, Stephanie. Thank you very much for sharing your insights, and hopefully this has left some food for thought for our listeners, not just those who are female but also for men who might want to better understand how the industry is evolving to be more inclusive across genders. So, Stephanie, again, thank you so much for joining me today.

Stephanie: Oh, thank you, Anu. I was delighted to be here today and thank you for bringing this really important and exciting topic forward.

Anu: Yes, absolutely. Thank you again, Stephanie. And to our listeners, if you have enjoyed this episode of Disruptive Forces, you can subscribe to the show via Apple Podcast, Google Podcast or Spotify, or you can visit our website, www.nb.com/disruptiveforces, for previous episodes as well as more information about our firm and our offerings.

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