CANADIAN BUSINESS SINCE 1928

Why financial services targeted at women are a huge opportunity

Women don't need more financial literacy, they need a system that works for them. A new wave of finance companies are waking up to the possibilities

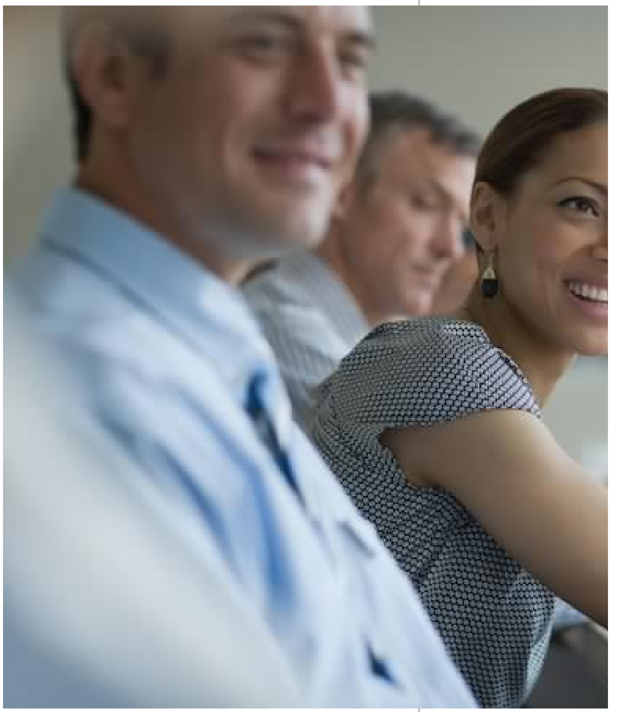
Mar 8, 2017 Catherine McIntyre

A still from robo-advisor provider Ellevest's new "Invest Like a Woman" ad campaign. (Ellevest)

Karin Mizgala wasn't surprised when her friend, an educated woman with a PhD and a high income, told her that she hates thinking about money. It's something the financial advisor and co-founder of Money Coaches Canada (MCC) gets all the time from women, and while she understands where they're coming from, it still pains her to hear.

Women control about 33% of the wealth in North America today, the highest share in history and a number that is growing roughly 8% per year. Even still, they are reluctant to invest their money at the same rates as men. According to one survey by Lean Vest, an online financial planning service, men are five times more likely than women to prioritize investing with the goal of growing their personal net worth. Meanwhile, 45% of men report being "financially confident" compared to 27% of women.

Sallie Krawcheck, formerly one of the most senior women on Wall Street, estimates that high-income earning women forgo between US$500,000 and $2.1 million throughout the course of their career by not investing. Factor in the gender wage gap, the fact that women retire poorer than men and outlive them by about three years, and we get a clearer picture of how the wealth gap between men and women persists. In a world where money is power, “this is a big freaking deal,” Krawcheck noted in a recent Vogue interview.



The best countries for women starting businesses

Historically, women’s low participation in investment activity has been explained away with claims that they are too emotional, too risk averse, or simply too broke to be good investors, none of which is has been proven to be anything more than archaic stereotype. In fact, many experts contend that the women who do invest tend to see better returns than men.

Why, then, do women continue to shy away from the stock market? According to Mizgala, “the investment industry just hasn’t done a very good job at engaging women. It’s been a pretty male dominated industry; systems made by men for men.”

But that’s changing. As women’s share of investable assets grows, financial institutions are realizing that they too are leaving significant wealth on the table by failing to cater to women. “All the banks are looking at this problem and saying, ‘how are we going to make sure we’re servicing our female clients?’” says Jennifer Reynolds, president and CEO of Women in Capital Markets. “‘Does the model we had yesterday work in the future?’ I think they’re all coming to the conclusion that no, we’re going to have to do things a little bit differently.”

Krawcheck is among the growing movement of financial professionals taking a different approach. Last May, she launched robo-advisory Ellevest in the U.S., which recently launched a slick ad campaign filled with empowering imagery and slogans like “Invest Like a Woman.” Ellevest offers highly customizable portfolios and caters to women’s investing goals and styles, which she and many others say are are notably different from men’s.

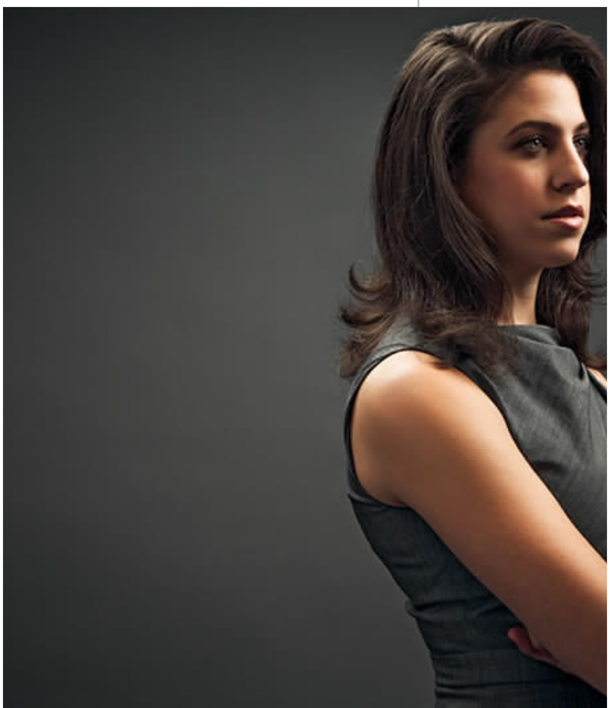
As Reynolds explains, women tend to be more goal-oriented in their investing. They hold their investments longer in the interest of building security for themselves and their family in the future. They’re also more likely to invest in companies that reflect their values. Men, on the other hand, trade more often in pursuit of personal wealth. Women are also generally more risk aware than men, Reynolds says. They are less comfortable investing in stocks when they don’t fully understand the risk and they tend to ask more questions than men before buying. A 2011 LPL Financial survey found that women place seven times more value in financial peace of mind than in having their investments grow (the paradoxical result being their investments often grow using this conservative approach).

Further, that women's salaries peak earlier, they retire with less money than men but need to support themselves for longer are realities often overlooked by investment advisors. In fact, research from StrategyMarketing.ca found that 87% of women were unable to find a financial advisor they can connect with, and 80% of those whose husbands pass away change their advisor within a year. "Clearly something's broken when the women have never connected with the investment advisor," says Reynolds.

How Jennifer Reynolds is working to get women to return to finance jobs

Part of the problem is that 86% of financial advisors are white men over the age of 50. At MCC, the number of male advisors is closer to 30%. While the service doesn't manage investments directly, coaches give advice on selecting and managing portfolios. "Our service to our clients is to help them ultimately live a comfortable, balanced, and meaningful life," says Mizgala. The firm's family-centric approach—which factors in such career-disrupting life events as having children—appeals to women, who make up about 70% of its clientele.

MCC offers regular workshops geared towards women, but Mizgala rejects the assumption that women's financial literacy is what's holding them back from investing. "I certainly started out thinking if women were just more educated around these things, they'd be more involved. But I really think it's more of a systemic issue," she says. "It's the industry that needs to understand how to communicate better with women and how to make the whole investment experience something that's more relatable," she says.



How to fix venture capital's gender disparity problem

It's a problem Vicki Saunders is trying to fix in the venture capital space where, in Canada, women represent just seven percent of partners at the top firms. Saunders launched a campaign last year called Radical Generosity, where 500 women each raised $1,000 to fund five female entrepreneurs. The program is meant to both help close the funding gap for women-led businesses (which now receive a mere three percent of VC dollars) and to give female investors an introduction into venture capital. It largely backs companies concerned with positive social impact, which Saunders, and research, contest that women value in companies they invest in. "When you can see the impact of what your money is doing in the world, that feels amazing," she says. "That connection is a game changer for women, but I feel like everyone can appreciate it."

The concept that more diversity fosters better ideas and results isn't new. Still, it's taken a while for the financial industry to put their money where their mouth is. BMO recently launched their Women in Leadership Fund, which invests in companies that have gender diverse leadership. Ellevest's Krawcheck started a similar fund called Pax Ellevate which invests in what its leaders have deemed the top 400 companies committed to advancing women. And two years ago, Toronto's Burgundy Asset Management launched an initiative, Women of Burgundy, to better understand and serve their female clients and to attract new ones.

Such efforts are improving the landscape, an effort that will only improve as a new generation of female investors gains wealth. Indeed, Millennial women are twice as likely to be active investors and twice as likely to take on high-risk investments than Baby Boomer women.

"It comes down to this engagement issue," says Mizgala, emphasizing that the wealth industry simply hasn't kept up with the changing social realities surrounding women and wealth. "The fact that women live longer and all that, that's not what the issue is. The issue really is engagement. That's the gap. And traditional services have really fallen short of engaging women." After 25 years in the business, says she's seeing that start to change.

MORE ON INVESTING AND FINANCE:

- How Jennifer Reynolds is working to get women to return to finance careers
- How to invest if you think Donald Trump will be bad for the U.S. economy
- How to invest if you think Donald Trump will be good for the U.S. economy
- Canada's Richest People: The complete list
- How Millennials are forcing financial firms to rethink retirement
- Investors should consider promising returns of companies run by women

Financial planning for millennials requires a new kind of advisor