

Emerging Markets ▼

Education, Information is the path to trust and loyalty from successful women clients

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Women's need to prepare for retirement creates an opportunity for those advisors who take the time to understand the financial challenges of women, and who are willing to tailor their businesses to address those needs.

Although women's earning power compared to men has reached an all time high, it still only amounts to 77 cents per every dollar earned by men. This income gap, coupled with the fact that women live, on average, six years longer than men, presents a unique longevity risk challenge which should be addressed by women and their advisors when planning for retirement. This challenge creates opportunity for advisors.

To be able to effectively address this risk, advisors need to understand the many factors which contribute to women's reduced savings. Women are the ones who most often leave the workforce to care for children and elderly parents. Increased time out of the workforce results in lower lifetime earnings, less retirement savings and less pension savings, compared with their male counterparts.

Women are increasingly handling the majority of the day-to-day monetary tasks at home and making investment decisions jointly with their spouses. So, for those advisors who work with couples, it is important to address both the husband and the wife or they risk alienating the wife and losing the couple as clients. This is important

not only to foster a solid relationship with the couple, but also to maintain a relationship with the wife in the event of a divorce or widowhood.

Life events tend to affect women more dramatically than men. For example, after a divorce, men's income most often increases, while 37 percent of women experience a drop in income. The facts are even more devastating for widows, who tend to face significant financial difficulties after the death of their spouse. Given that the average age a woman becomes a widow is 56, and that 70 percent of women discontinue the relationship with their financial advisor within three years of their husband's death, it is important for advisors to begin working with wives early on in the relationship. Additionally, divorce and widowhood contribute to 90 percent of women having sole responsibility for their finances at some point in their lives. Those advisors who have built solid relationships with their female clients prior to a divorce or husband's death stand to be the advisors of choice for these women.

Although women, on average, still earn less than their male counterparts, they are blazing a trail of success. Nearly 10.1 million firms are owned by women and women-owned firms are growing at twice the rate of all firms, representing nearly \$2 trillion in annual revenues. Not only are women making strides in the business arena, they are also outpacing men in education. Women have been outnumbering men among undergraduates for more than two decades and currently represent nearly half of the admissions at medical and law schools. This increase in education has led to an increase of women in lucrative positions. Women now account for 51 percent of all workers in the higher paid management positions and professional occupations. Not only are women earning more money, according to the IRS, they make up nearly half of this nation's top wealth holders. All of

these factors are expected to result in women controlling more than \$13 trillion in private wealth by 2010.

Women represent a segment of the population that has a tremendous need for financial advice and present a largely untapped opportunity for advisors. Ninety percent of women today feel "financially insecure" despite controlling more wealth, having more education and being more involved in financial decisions.

Advisors need to acknowledge that women present different challenges when compared to their male counterparts and require a different approach. Knowing that productive, lasting relationships can exist between women and advisors, it is worth the effort to adapt to women's financial needs. Women are relationship focused and look for a long-term relationship with their advisors, which leads to a higher level of loyalty. Men are more likely to chase performance, while women are more likely to stay with a trusted advisor for the long term.

Women also have different learning styles and investment behavior than men. Generally, women prefer instructional based learning, while men prefer self study. Women often place a much greater deal of importance on listening skills in an advisor than men. Women prefer to take their time, understanding and evaluating all of their choices before making decisions. Advisors should avoid using the "hard sell" approach with female clients. When considering product or investment recommendations, most women are much more risk adverse than their male counterparts and are more likely to invest with a long term strategy as opposed to a pure performance based strategy. Attracting and working with female clients will take some effort but as the numbers suggest, it can be very rewarding.