Women’s Retirement Reality
What Female Investors Want from Their Advisors

By Kathleen Burns Kingsbury

The opportunity to help women plan for retirement is great. Women control $11.2 trillion dollars in investable assets (Turner Moffitt 2015) and are forecast to hold two-thirds of the nation’s wealth by 2030 (O’Connor and Ettinger 2015). Women make up 44 percent of primary breadwinners and 48 percent of millionaires (O’Connor and Ettinger 2015). They represent 51 percent of the population and, on average, are concerned about living a secure and comfortable lifestyle in retirement. This is evidenced by 73.2 percent of women reporting they consider retirement income planning as the most important service financial professionals provide (TD Ameritrade Institutional 2016).

These statistics are impressive; advisors, however, face a real challenge. Sixty-seven percent of women report feeling misunderstood by their financial advisors (Turner Moffitt 2015). Most female investors are weary of the traditional, transactional approach to planning and frustrated by the misconceptions the industry perpetuates about women and money. To overcome these roadblocks, advisors must focus on more than just the technical aspects of planning and embrace the human side of finance. This means overtly acknowledging and exploring the emotional aspects of planning. Advisors who can offer a gender-savvy, personalized approach are most likely to attract and retain these economically powerful consumers.

Female Retirement Reality
Most clients are concerned about rising interests, inflation, and market volatility. Some worries, however, typically impact female investors more often. These include the fact that women statistically outlive their male partners and are more apt to have earned less money over the course of their lifetimes. On average, women earn 79 cents for every man’s dollar and tend to be the partner who takes time out of the workforce to care for children and family members (Kessler 2016).

These factors can result in planning dilemmas. An astute advisor can address these concerns and issues from a technical perspective, but a female-friendly professional explores the emotional part of the equation first. By incorporating the human side of retirement planning, advisors can address the emotional aspects of planning. This means overtly acknowledging and exploring the emotional aspects of planning. Advisors who can offer a gender-savvy, personalized approach are most likely to attract and retain these economically powerful consumers.

The Elephant in the Room
Historically, advisors have been trained to focus on the numbers and shy away from clients’ feelings. This approach may work well for many male clients, but it tends to fall flat with women, who are hardwired and socialized to discuss their emotions about major life-transitions. Therefore, advisors need to be prepared and equipped with skills to talk about different feelings such as excitement, joy, trepidation, anxiety, and fear. Some professionals intuitively facilitate these conversations in meetings. Others need to learn the skills to effectively engage in these dialogues.

Labeling the elephant in the room is a technique that helps advisors and clients identify and discuss emotions related to retirement. This strategy involves the advisor verbally noticing any feelings the client might be having relative to retirement planning that are not being expressed overtly. For example, two partners may disagree about their retirement vision. During the discussion, the female investor crosses her arms and silently sits back in her chair. Her body language indicates defensiveness. An advisor simply can notice her silence and invite her back into the conversation by asking her an open-ended question.

Advisor: Stella, since we identified that you and Stan have a different retirement vision you have been sitting silently with your arms crossed. I am wondering if you could tell me, what are you thinking and feeling during this discussion?

Sixty-nine percent of women, who report wanting to hire a financial advisor, say that retiring with financial security and peace of mind is their top priority (TD Ameritrade Institutional 2016).
Stella: I am frustrated. We have talked about my desire to move closer to our grandchildren when we retire and I feel as if Stan just ignores me.

The advisor, by noticing what is not being talked about, has effectively labeled the elephant in the room: the conflict between Stella and Stan’s primary retirement vision. By noticing the dynamic between the couple and giving Stella a chance to put words to her silence, the advisor is helping the couple identify and talk about their mixed—and sometimes conflicting—feelings about retirement. If these thoughts and feelings went unnoticed, the risk of Stella feeling overlooked and neglected by the advisor is high. By leaning into the human side of finance and being willing to facilitate and mediate this emotionally laden conversation with the couple, advisors add value and prove that they are truly interested in clients’ well-being.

Some clients will come to meetings bubbling with emotional content and a willingness and desire to discuss it. Other investors may need to be invited to delve deeper into this material, and using this strategy can be very effective. Either way, providing women and their partners a safe place to discuss the human side of retirement planning fosters trust and demonstrates a vested interest in being client-centric.

Common Retirement Fears
Every female investor is a unique individual, but women tend to express some common fears as they approach retirement. Interestingly enough, most men don’t report these same worries.

The three most universal concerns for women are running out of money in retirement, being a burden to the next generation, and making a bad financial or investment decision.

Bag-Lady Syndrome
There is a scene in the classic movie Mary Poppins where a homeless old lady is feeding the birds on the library steps. It’s a beautiful movie scene, but it also sums up a fear of 60 percent of women: that they will end up broke and homeless in their senior years (Fidelity Investments 2015). This “bag-lady syndrome” can be more pronounced in women who are divorced or widowed, especially if their partners were the primary wealth creators in their relationships. Surprisingly, however, it also affects female breadwinners; 59 percent report it is their top financial concern (TD Ameritrade Institutional 2016).

The traditional approach to addressing this worry is to show clients numerical data in order to alleviate their anxiety. Fight the urge to use this method. Instead, approach this fear with empathy and curiosity. The reason is that bag-lady syndrome and the intensity of this fear do not always correlate with a woman’s investable assets. Therefore, a purely rational, technical approach leaves women feeling misunderstood and placated.

The best approach is to explore what triggers this concern for the client. For some women this fear is due to low levels of financial knowledge and confidence. Others have witnessed relatives who met this fate or have been raised with the family money message that women “aren’t good with money.” Once the underlying cause of this fear is identified, validate the client’s feelings, then work with her to develop strategies to alleviate this fear when it arises.

Fear of Being a Burden
Most women know what it is like to care for a loved one who is ill. They understand the emotional and financial demands placed on the caregiver and want to make sure their children are not burdened this way. When clients talk about being a burden, 49 percent define this as “having to rely upon a family member to physically take care of me” (Merrill Lynch 2013). This also can translate into someone paying their bills or having to take time to watch over them.

The unfortunate irony is that this fear may become a reality, because half of people over age 85 in this country suffer from dementia and require some form of caregiving from their families (BlackRock 2014). Facilitate meaningful discussions with women and the members of their families likely to be put in a caregiving role. These discussions, coupled with a sound retirement plan, provide women with a strategy that provides peace of mind and confidence that they have taken some control over the uncontrollable.

Fear of Making Poor Investment Decisions
A poll by BlackRock (2014) reported that women are more likely than men to choose a negative word such as “nervous,” “concerned,” or “pessimistic” to describe their financial futures. Contributing to this outlook is the female tendency to downplay one’s abilities. Men tend to be overly confident investors, and women tend to be more cautious and risk-aware. It is not surprising that women are twice as likely as men to describe themselves as “financial beginners” (Prudential Insurance Company of America 2013). Women who are widowed or divorced are particularly prone to fear of financial decision-making.

The good news is that 92 percent of women want to learn more about financial planning and 83 percent want to get more involved in their finances (Fidelity Investments 2015). Invest time in educating women about investing and coach them to build their confidence. Both activities foster trust with women and provide them with information and coaching that improve their financial education and confidence and reduce their worry about making poor investment decisions.

Roadblocks to Empathetic Listening
Empathetic listening is a vital skill for advisors working with female investors on retirement. It requires an advisor to actively listen to the emotional content shared by clients and validate their feelings. When listening, the advisor suspends critical judgments and acts as a mirror for the client, reflecting the client’s message and making sure it was accurately received. When used skillfully, empathetic listening builds trust, increases mutual understanding, and solidifies the advisor-client bond.
Focus on Problem-Solving
The solution-oriented nature of the advisor and wealth management fields can provide a roadblock to empathetic listening. Advisors have been trained to identify a client’s problem and then quickly offer technical solutions. However, a rush to problem-solving does not allow time for the client to fully express a perspective or for the advisor to fully understand it. Ironically, advisors who slow down and spend a large amount of time listening to clients tend to be more successful because they clearly understand the technical and nontechnical sides of the client’s dilemma and can recommend products, services, and strategies that best fit the situation. Women particularly respond well to this approach.

Discomfort with Emotion
Another roadblock is discomfort when working with clients around emotionally laden content. Most advisors are well-trained in the technical aspects of finances, but few have developed the skills to identify and tolerate the different feelings that inevitably arise. These skills are often referred to as “soft” and considered nice to have but not necessary. As an industry, it is time to embrace the human side of finance as an important component of planning and a vital skill to demonstrate to women investors. Many professionals express anxiety around feeling-oriented discussions, with many reporting they don’t want to open Pandora’s box. However, to ignore the connection between money and emotions does a dis-service to clients, especially when it comes to retirement planning. Preparing for this major life transition is fraught with mixed feelings, and when these emotions are not overtly discussed, clients are more likely to sabotage their financial well-being. A good example is the woman who is fearful of being a burden to her children as she ages. If these worries are not identified and discussed, this client may avoid planning for her future healthcare needs. The result is an underfunded retirement plan and her worst fears coming to pass: She ends up burdening her children.

Buying into Myths about Women and Money
When advisors make assumptions about clients based solely on gender, their ability to empathetically listen is greatly reduced. There are key gender differences when it comes to how men and women think about and invest money, but these are not absolute truths. The research about gender and investing should be used as a foundation for understanding clients, but it does not replace the need for an in-depth discovery meeting to determine how the female investor thinks and feels about money. Similar to a rush to problem-solving, making assumptions blocks empathetic listening. It does not allow for an authentic connection to develop, and ultimately it can cost the advisor the account.

The best way to avoid falling into stereotypical thinking about women and retirement is to ask open-ended questions in the discovery meeting and then really listen to the answers. Some questions to consider are the following:

1. If you could pick any word to describe retirement, what would it be and why?
2. What does an ideal day in retirement look and feel like to you?
3. What values do you want to honor during the next phase of your life?
4. What are you most excited about and most fearful about when it comes to retirement?
5. On a scale of 1 to 5, 5 being the highest, how interested are you in learning more about investments?

Notice when one of these roadblocks presents itself in an advisory meeting. Then take action to redirect the conversation toward empathetic listening.

Finding a Niche within Women and Retirement
One of the most important factors for women when choosing a financial advisor is a personal referral (InvestmentNews and Kiplinger’s 2016). They want to know that an advisor has worked with clients and families like their own, and they trust family and friends to point them in the right direction. To become more referable, it is important to find a specific niche within the larger women and retirement market, and then be able to clearly articulate this segment’s strengths.

Identify the Ideal Female Client
Women represent half of the U.S. population and are not a homogenous group. They are business owners, caretakers, executives, entrepreneurs, inheritors, mothers, daughters, divorcees, widows, and wives. Women are diverse in terms of culture, race, ethnicity, religion, and sexual orientation. Therefore, the first step in better-serving women on retirement is to determine your firm’s ideal client.

Ideal female clients are defined as women with whom you enjoy working, who value your expertise, and who appreciate your advising style. These are the clients who appreciate your firm’s services and are most likely to refer like-minded clients. Products and services should cater to this ideal client, and all marketing and outreach efforts should be conducted with this person in mind.

For example, specializing in women executives who are the primary breadwinners of their household helps determine where and how to use marketing resources. Executive women tend to be well-educated and time-starved. Any outreach and networking efforts need to fit into their busy daily routine, because the likelihood of them adding another meeting is slim. Morning meetings often work best for this client segment.

The traits, interests, and financial needs of the ideal female client dictate how to best connect with them and meet their financial needs. Advisors who invest time upfront to thoughtfully identify a niche within the retirement market are much more likely to experience business growth.

Challenge Gender Myths
Historically the financial services industry has focused on women’s challenges in retirement rather than their strengths. This tendency to reinforce gender stereotypes, whether conscious or unconscious, is part...
of the problem advisors have in attracting and retaining women clients. Many women tolerate these generalizations, especially when their partners are alive. But once these women gain control of the assets, 70 percent fire the couple’s advisor and look for a more gender-savvy professional (Wojnar and Meek 2011).

Here are three common myths that the financial industry perpetuates about women and money:

Myth 1: Women are not interested in finance. According to Fidelity Investments (2015), 75 percent of women want to learn more about money and investing. Women are looking for advisors who are eager to educate them as part of the retirement-planning process. They want professionals who will teach and coach them about options in an empowering way. Unfortunately, some advisors are condescending toward women. To avoid this mistake, ask female clients what they want to learn and how they learn best. Then deliver the information according to their personalized preferences.

Myth 2: Women are risk-averse. Women evaluate risk more holistically than men. Therefore, they may appear risk-averse when asking numerous questions or consulting with other trusted advisors and family. But don’t assume the cause of this decision-making process is aversion to risk. Instead consider it the tendency of women to be more risk-aware and, therefore, to take more calculated risks (Bank of Montreal and Carlton University 2016). By approaching risk in this manner, many women actually experience better long-term returns than their male counterparts who tend to be too aggressive.

Myth 3: Women are not as financially confident as men. Believe it or not, only a few percentage points separate the sexes when it comes to feeling very confident about retirement. A recent study from Transamerica (2015) found that 14 percent of women were “very confident” they could retire comfortably, compared to 17 percent of men. What is widely reported is the low level of women’s financial confidence, and what is overlooked is the equally low level of men’s financial confidence. Most clients need a confidence boost when it comes to planning for retirement.

Address these misconceptions about women and money head on. Ask open-ended questions to find out the client’s level of interest in finance and investing, risk awareness, and confidence level. Use empathetic listening and collaborate to develop a plan to suit your female client’s unique needs.

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Focus on Women’s Strengths

For far too long, advisors have been encouraged to focus on the perceived financial weaknesses of women. This contributes to many women feeling misunderstood by the industry. The best way to combat the negativity is to start noticing and celebrating women’s financial strengths. Here are three to consider:

Future orientation. Women’s anxiety about the future often is seen as a weakness. These feelings, however, motivate many of them to seek out and hire retirement advisors for themselves and their families. This forward-thinking approach makes them ideal clients for retirement and legacy planning. Stop labeling women as overly emotional and instead honor them as emotionally astute investors who know when it is time to reach out for help.

Balanced investors. Women often are considered less savvy investors than men. This may be due to the myth that they are more risk-averse than men or that they talk more about the emotional side of money. But women are simply risk-aware and skilled at understanding the money/emotion connection. In fact, women tend to be more-balanced investors than men. Research shows that men tinker 50 percent more with their portfolios but women achieve the same—or even a better—rate of return than men while taking on less risk (Todorova 2015). The truth is that being risk-aware is a strength, not a challenge.

Loyal clients. Women value relationships and want to share good things with their families and friends. On average, women give two-and-a-half times more referrals to advisors than men (Passi 2006). When looking to hire an advisor, 24 percent of women report the most important factor, after trustworthiness, is a personal referral. Only 17 percent of men felt the same way (InvestmentNews and Kiplinger’s 2016). Women may take longer to make a hiring decision, but advisors who are patient will discover a big return on investment in the long run.

Summary

Women are looking for advisors who are committed to understanding their unique strengths and challenges as they plan for retirement. To stand out among these economically powerful consumers, advisors must demonstrate technical and nontechnical competence. Female investors want a safe place to discuss the emotional aspects of preparing for the retirement stage of life and they value professionals who are willing to facilitate meaningful conversations as part of the planning process. Those advisors who embrace the human side of finance and carve out a specific niche within women and retirement will rise to the top.

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References

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