

Gender FOCUS

Women are scrutinizing investment options—and investment advisors—more closely than ever

BY KAREN C. ALTFEST

SINCE JANUARY OF THIS YEAR, WHEN Lawrence Summers, president of Harvard University, declared in a speech that women may be genetically less capable in mathematics and the sciences, I have wondered whether women are concerned about possibly being genetically unsuited to deal with their finances, whether they feel capable of handling their own money, and whether most advisors fully understand how best to engage women and assist them in achieving their financial goals.

In remarks at the National Bureau of Economics Research (NBER) Conference on Diversifying the Science & Engineering Workforce, in Cambridge, Massachusetts, Summers said, “It does appear that on many, many different human attributes—height, weight, propensity for criminality, overall IQ, mathematical ability, scientific ability—there is relatively clear evidence that whatever the difference in means—which can be debated—there is a difference in the standard deviation, and variability of a male and a female population.” While only a small percentage of women (and men, for that matter) may wish to be scientists and mathematicians, many if not all women should be concerned with doing well in another numbers-related area, their own finances. Summers’s remarks caused me to revisit what I’ve learned over the years about women and money.

I believe that an exploration of how women feel about their own financial prowess—and how others treat them—can provide important clues that can enable planners to more effectively understand women as clients, gain their trust, and better meet their needs.

Women are often given short shrift in financial folklore. Recently I told a successful real estate investor (male) about a woman in a financial planning class I teach, who told me about her considerable

wealth and asked my opinion on some decisions she had made. His response? “Well, of course, her husband left her that money.” Why did he assume that to be the case? Most likely he was ignorant of the fact that more than half of the small businesses in this country are founded by women (as this woman had done with her very successful business and, yes, she had earned her millions herself). Certainly he did not consider the many highly accomplished women professionals and businesspersons. He probably assumed that business and professional opportunities do not exist for women and that large accumulations of money are possible only for men.

Assumptions like this may inspire a few women to set out to prove their capabilities, as a student of mine said, just “to show them.” Yet many more women are hindered by others’ scornful attitudes, putdowns, and negative assumptions. Negative remarks that are gender based can be meant to keep women in their place and generally have some success. Many women I meet tell me they are tired of fighting the prevailing attitudes, and revert to acceptable gender roles rather than continue to fight.

Several studies done in the early 1990s by financial media, including an article in *Money* magazine in June 1993, “What Every Woman Should Know About Stockbrokers,” by Penelope Wang, showed that just a decade ago men and women were treated differently from each other in the financial marketplace. Male and female actors of similar ages met with stockbrokers and told stories with identical financial profiles, risk tolerances, goals, and dollar amounts, yet they experienced gender-biased attitudes from both male and female brokers. Male clients were given choices, explanations, and considerable time, while female clients were offered one choice, told it was the right one, and advised to take it, quickly.

Women are now much more knowledgeable about investing, but there has been little change in their treatment by financial professionals. According to an article in *Money* magazine in June, 2002, “Women and their Money,” by Jean Sherman Chatzky, most women still feel that they are treated as “stupid” and “second-class citizens” by stockbrokers and financial planners.

This is the second in a three-part series on gender and financial planning. Last month, we explored the physical and psychological differences between the genders. This month, an advisor shares her firsthand experience on the practical differences between male and female clients. Part III will address the place of women in financial services in general and the financial planning profession in particular.

Women who feel they are not being taken seriously are not imagining it, but are picking up on subtle or overt discrimination. Further, women often suffer in silence since those who “tell” are often deemed complainers or paranoid. In other words, the blame shifts to the victim of the biased and inappropriate behavior.

To see what women are thinking and feeling about their ability to take control of their financial lives, I created the *Women and Money Quiz* and submitted it to the women who attended two recent events where I was a speaker. My financial planning and investment advisory firm hosted one event. The other was a two-session class hosted by The New School, a university in New York City. Although my total sampling was about 30 women, not a statistically significant number, I felt that was enough to discern the level of confidence some women had in their financial decision-making capability as well as areas in which they believed they could improve.

The Women and Money Quiz

Question one: Do you feel capable of managing your own financial affairs? Why or why not?

One-half of the women said Yes, they feel capable; one-quarter said No, they do not; and another quarter gave a justified Yes response, but with an explanation, or No, but with an explanation.

One of the insights I had from these answers was that women did not take credit for managing their financial affairs if they had help from a professional, even though choosing the right professional is part of taking charge of a situation, just as choosing the right physician can mean you are managing your health concerns appropriately, or choosing the right school can mean you are educating your child properly. Accepting responsibility for being in charge can be a matter of confidence or of semantics. As advisors, we need to listen carefully to what our women clients are really telling us, repeat back to them what we think we've heard to be sure, and discuss areas that are unclear or in which we have differing opinions. Some women related their skill to furthering their financial education. Many suggested they could do better if they learned more.

Question two: What do you wish could be different in your financial life?

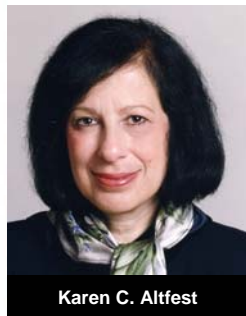
Most women wished they had more money, and as a reason gave their goals, such as buying an apartment, retiring, or having additional disposable income.

Question three: Are you familiar with what Harvard's president, Lawrence Summers, said about women in science?

Only one woman had not heard of Summers's remarks; several commented on the “ridiculousness” of those remarks and on his “Neanderthal” qualities.

Question four: Do you believe there are innate differences between men and women in science abilities?

About half the women surveyed felt that men and women had different science abilities. Many women said that while different, neither gender had better abilities. One woman said that different aptitudes gave women an advantage.



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Question five: What do you think about women's ability to handle financial matters?

This answer was unanimous. All participants in the *Women and Money Quiz* said that, in the words of one woman, “Women are just as capable as men.” A few expanded their responses, suggesting men seem to be more competent because they have more professional contacts in this area, or that women are as capable as men “if trained.”

Question six: Do the men in your life play any role in your financial life? If so, what type of role?

Half the women said men did not play a role in their financial lives, and half said they did. Women who did have men involved relied on fathers, husbands, and even sons. Others cited a male professional advisor as the man who was involved with their finances and did not differentiate between leaning on a relative to handle family finances or hiring a male professional to assist and advise.

Question seven: Would you like to share

RULES OF THE ROAD

FINANCIAL PLANNERS CAN HAVE SIGNIFICANT impact on their female clients while building long-term relationships. Knowing your clients well and applying a few simple strategies can help. It does not require a national firm or a separate division; the tools of success are available to all planners. Follow these steps consistently and you will not only make your women clients happy, but will see those clients refer their friends to you:

1. Ask what they would like to have happen in their relationship with you. Listen carefully to the answer and include their desires in your agenda.
2. Never suggest that there is some information that they will not understand. Instead, be a teacher and a guide.
3. Offer educational opportunities for your clients in your office, at local schools, libraries, or at nearby restaurants and clubs. Invite them to bring their friends.
4. Spend more of your time explaining patiently, addressing all questions, and

drawing your clients out about their concerns. While the bottom line is important, allowing your clients to understand that how you get to it counts as well.

5. Create a nonjudgmental environment in which clients feel free to raise very personal questions. Show understanding and concern.
6. Design surveys to explore your clients' thinking, analyze the results, and make sure your practice reflects what you have learned.
7. Become expert in issues of great interest to women clients. Include family issues, intergenerational situations, privacy concerns, control by the family breadwinner, and handling an inheritance.
8. Consider publications specifically for your women clients; invite them to small-scale meetings or one-on-one discussions with an advisor.
9. Compile a reading list you can recommend for clients at different levels of knowledge and sophistication.

an experience you've had with your finances?

Few women shared an experience when asked. Probably this question was too open-ended. Most expressed willingness to discuss this at another time, but probably needed guidance in addressing this question.

Question eight: What are three things you would like to learn to help you manage your financial life?

Far and away, women wanted most to know about investing—specifically understanding stocks, reading brokerage statements, knowing when to buy and sell mutual funds, and understanding how to assess the direction of the stock markets. Other frequent questions concerned legal issues ranging from the duties of an executor to selecting an attorney, followed by savings and tax questions. In other words, women's questions were broad and seemed to concentrate on matters that would help them function better in their daily financial lives.

Results of the *Women and Money Quiz* show that women are certainly thoughtful about their financial lives. While many in my sample felt capable, they also wanted to reach out for help, education, and guid-

ance. Most women seemed to have given considerable thought to how far along they feel they are in their financial abilities. While their answers varied, some women felt that men had more opportunities in the financial world. Many women felt confident that they could handle their financial lives if they were exposed to financial education.

The most surprising finding, in my opinion, is that women equated consulting a professional with not handling their own finances. While hiring the best ophthalmologist to take care of your eyes would likely make you think you had made good healthcare choices for yourself, or hiring a competent attorney to write your will could make you feel in charge of your estate planning, hiring a financial professional seemed to make these women feel that they had abdicated control of their financial lives.

While some women seem to feel capable in this area, often because—as some indicated—they have had to fend for themselves from a very young age, many others feel unprepared, uninformed, inadequate, and fearful of making wrong decisions. They are unusually aware of the regret they will feel if

they lose money, thereby locking their bad choices in their memory for perpetuity. Women of all generations frequently lack confidence in their financial skills and are sure others around them are better prepared to tackle daily and long-term decisions. Fear of not making the “perfect” choice can lead to paralysis in decision-making.

Breaking Stereotypes

Women I've met are very eager to learn more and to do better. Often they have been unwilling to articulate their concerns publicly, and have had no one to answer their basic questions. They have not had financial mentors, even though they may have had academic, business, professional, and even social mentors.

Women who are pointed in a direction—toward professionals they can work with, classes they can take, books they can read, clubs they can join—are frequently quick to take up the challenge and begin a course of self-improvement. One step leads to another and confidence grows and fear subsides. The need to either achieve perfection or not participate at all diminishes.

What can women do to achieve the next

level of confidence in their financial lives? First, they can stop listening to the conventional “wisdom” about women not having the innate ability, intelligence, or street smarts to achieve and manage comfortable financial lives. I have found the opposite to be true; the women I teach catch on quickly and are eager to learn, my women clients are often very smart and accomplished, and many of the women portfolio managers I meet have top records—yet the stereotype tends to perpetuate itself and hold women back, generation after generation. Second, women should be open and honest with the men in their lives and let them know that they want to be financial partners, discussing all financial issues, sharing financial responsibility, and making financial decisions. Third, they should not wait to be invited into the world of finance, even when their personal circumstances are comfortable and working smoothly. Circumstances have a way of changing your approach to important issues in your life. I have met many women who, finding themselves suddenly in charge of their financial lives due to death, divorce, inheritance, or the end of relationships or jobs, and without any preparation, were at first stunned and then learned to take control—to varying degrees—of their financial lives.

The Role of Advisors

As financial professionals, we have an opportunity to make women’s financial expectations more realistic. We can point out that it is okay for women to be the caretakers of their financial situation while not doing everything themselves. Learning is a process, and we can remind them that they can do more over time.

According to Hilary Stout, in her article, “The New Family Portfolio Manager: Mom,” in *The Wall Street Journal*, February 10, 2005, some financial companies have already taken up the challenge. The article cites firms like Charles Schwab, Merrill Lynch, American Express, Neuberger Berman, Oppenheimer (possibly one of the earliest to get into this market), and Citigroup as having programs directed specifically at women investors.


While some firms help women by offering special services and through education—including seminars, Web sites, and membership opportunities—most also see this as a terrific marketing opportunity to

target a highly desirable group of consumers. They have established women’s divisions and are offering programs for women clients. Whether the programs are more sales-oriented than educational and actually help women will probably not be evident until some years have passed. I believe it will be those who concentrate in the latter category that thrive with this group of consumers.

A successful relationship with women clients should include an educational component. Some women may not have grown up thinking about money, but are eager to learn now. They want to be participants in their financial lives, and are looking for discussions and someone to help with their problems.

Ask women clients what they would like to cover in a meeting and allow ample time for questions. Tell them how you select investments and what you look for in the markets today. Remember, this was the area of greatest interest in the survey.

Other financial areas of interest that came up on the quiz included charitable giving and proper estate planning techniques. Exploring how to leave money to family members and charities in a fair and tax-wise manner is something many women asked about, as was finding answers to legal questions. Financial planners who do not have expertise in these areas can consider strengthening relationships with attorneys who do.

Finally, while recognizing your women clients’ special sensitivity to not having had opportunities earlier, avoid making assumptions based on gender alone. Results of the *Women and Money Quiz* showed that women are most concerned about learning sound financial principals and appropriate financial practices including saving parameters, investment techniques, gifting, and lowering taxes. And, of course, they clearly showed they want to feel they are being listened to and that their concerns are being addressed. In other words, treat your women clients as concerned individuals with specific needs and involve them in the planning process, no matter what is the latest thinking on the state of gender differences. 

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