

# Why women leave their financial advisors: and how to prevent it

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## Why women leave their financial advisors: and how to prevent it

### Why do they leave?

According to a recent study<sup>1</sup> by The Boston Consulting Group (BCG): 73% of women report being “unhappy” with the service levels they were receiving from the financial services industry. On the same subject, Investment News reports that 70% of women switch financial advisors within a year of their husband’s death<sup>2</sup> (in Canada it’s 80%<sup>3</sup>).

Why are women so dissatisfied with the financial services industry and why do they so often seek a new advisor when their husbands die? Their overwhelming response – *they don’t feel respected!*

Given the level of discontent uncovered in study after study, it is clear that the financial community is failing to recognize the fundamental differences between how men and women relate to financial decisions.

Women today make up an astonishing percentage of the world’s wealthiest people and they are continuing to grow their wealth at a rate unheard of at any other time in recent history. Advisors who ignore them do so at their own peril.

Whether focused on retaining recently widowed women, or on retirees or hoping to build their business through new wealth accumulators, *advisors must understand what women want when it comes to money matters if they want their business to thrive.*

### Women don’t feel respected by advisors

A 2010 BCG study of women’s experiences with wealth management providers found, that many women believe their *gender is a key factor in the disrespect and condescension they often experience* from the financial services industry.

Those who think this has changed in the last four years should think again – a recent study by Fidelity Investments found that when it comes to financial advice, women are still not getting the service they want or need<sup>4</sup>.

Consider what some recently interviewed women had to say about their experience:

#### Case study #1

Wendy is 74 years old and recently widowed. She told us that in the 23 years that she and her husband used the services of an advisor, he never made the effort to reach out to her. In fact, she said, in meetings he rarely ever even made eye contact with her. As a result, when her husband died she felt no loyalty towards him. It didn’t help that after the death of her husband, rather than listening to her concerns, he used platitudes like, “you don’t need to know that” and “let me worry about that.”

73%<sup>1</sup>

of women report being “unhappy” with the financial services industry

70%<sup>2</sup>

of women switch advisors within a year of their husband’s death

80%<sup>3</sup>

of Canadian women switch advisors within a year of their husband’s death

### Women report:<sup>5</sup>

- feeling stereotyped
- receiving “dumbed-down” materials
- experiencing demeaning behaviours
- assumptions that their husband handles the finances
- not being taken seriously

But not just married women feel ignored. Single women report being confronted with the same stereotypical attitudes.

### Case study #2

Cindy, a 38-year old unmarried woman with a great career and good income said that several advisors she approached talked down to her. “I found many of their attitudes highly insulting,” she complained. “Some even suggested that my situation would change once I got married! It never occurred to them that I might not want to marry!”

These case studies are not isolated incidents; they echo common themes heard over and over again. Additionally, many of the women reported that not only were their advisors not listening to their needs, they were actually dictating to them how “they” do business.

“Here’s how I do business,” said one advisor, who then launched into a discussion about asset versus commission-based fees.

“Here’s how we report to you,” another intoned, who proceeded to show her a sample statement with a bewildering array of charts and asset allocation categories.

“If you have any questions, call me,” said another, leaving the responsibility for information gathering and communication to her.

Truth be told, a lot of male investors don’t particularly like this approach either but are less willing to speak up for fear of appearing to be “uninformed.” Not so much women!

## Why don’t advisors treat their female clients with respect?

### Advisors frequently don’t realize that their behaviour is perceived as disrespectful by their female clients

Simply put, it is hard to change entrenched habits and attitudes. According to Hilary Martin, a money behaviourist, financial advisor and strategist, “...banks, brokerages and other related firms don’t treat women with respect, “[because] the [financial community] is largely male-dominated, and much of the language they still use about money is very ego-based and women don’t relate well to it.”<sup>7</sup>

For generations, advisors and wealth managers have conducted business successfully within a predominantly male environment, rarely if ever having to take women into consideration.

*Women are more than willing to dump their advisor and switch to providers that understand them better.*

**ONLY 43%<sup>6</sup>**  
of investors say,  
“my financial advisor has asked me for my preferred method of communications.”

**33%**<sup>8</sup>

wealth controlled by women in North America

**43%**<sup>3</sup>

of Canadian investors with investable assets of \$500,000 or more are women

**\$3.2-trillion**<sup>9</sup>

total financial assets that women control in North America

**\$1.1-trillion**<sup>9</sup>

financial wealth women hold when applied to the Canadian environment

**62%**<sup>10</sup>

employment rate among women in 2013

**1/3**<sup>11</sup>

of all wives outearn their husbands

Many advisors still believe that women are afraid of risk, that they don't understand money as well as men, or that women are not interested in money matters. These are just some of the myths that have become entrenched in a male dominated industry about women and money.

With the status quo changing and women gaining more power and wealth, *it is not so much that financial advisors don't want to change – it's that they don't understand what women want and what they can do about it.*

## The lost opportunity

### Women have more power and money than ever before and advisors who don't understand this, risk losing business

Faulty perceptions combined with advisors reluctant to rethink how they do business with their female clients are already negatively impacting them.

After years of being ignored by the financial services sector, women are turning the tables in their favour and wealth managers are facing an unprecedented transformation as women hold an increasing share of high-paying executive jobs and take greater control over their investments and family finances.

In fact, women control about one-third of all financial assets in North America, which translates into an estimated \$3.2-trillion in total assets and \$1.1-trillion<sup>9</sup> in financial wealth alone when applied to the Canadian environment, according to Investor Economics.

In addition women generally outlive their husbands (the average age of a widow in Canada is 56). As older male clients begin to die, millions of dollars in family assets will become concentrated in the hands of their wives. And when wealth is transferred from one spouse to another, according to research firm Spectrem Group, about *70% of women change advisors within one year of their partner dying* (80% in Canada).

If that isn't enough to make advisors sit up and take notice, they should consider this: The percentage of female senior executives, business owners, and entrepreneurs who are accumulating sizable assets and wealth is rising significantly<sup>1</sup>. At TD Bank alone total investable assets among women grew by 33% since early 2012<sup>12</sup>. Not a bad potential market!

Advisors who think they can avoid the whole issue by concentrating solely on their male clients should reconsider their strategy. Women, even those who are married or have a partner, are playing an ever-increasing role in the family's investment decisions. They'll be hard to bypass altogether.

### Case study #3

When John married, he and his wife Mandy wanted to be equally involved in their future financial decisions so they made an appointment with John's advisor – an old family acquaintance.

From the start Mandy said he treated her like an interloper, didn't include her in meetings at all except to make crude "ball and chain" jokes. He mistakenly just assumed that she would have no input – and that his relationship with John was rock solid. But when Mandy told John how displeased she was, he was quite willing to find an advisor who they could both work with.

Adri Miller-Heckman, author and leading authority on marketing to women, said in a recent article, *"You likely won't know your female clients are unhappy until they're out the door."*<sup>13</sup> She writes about the many women she has run across in her career who were unhappy with their advisors and observes, *"women won't tell their financial advisor that they are not happy, they just leave.* This poses a significant threat to the future success of every financial advisor."

## The financial industry is taking notice – but are they getting it right?

Canada's six major banks are well aware of the changing landscape of women and wealth – in fact they have conducted much of the research. In response they are becoming more aggressive in their wealth management divisions when it comes to marketing to women. They are viewing the female market as a key growth area and are devoting resources to try to get ahead of the pack.

Three years ago, TD Bank launched a training program geared toward educating advisors on how to deal with the unique needs of women. All of the other banks and financial institutions are implementing similar initiatives aimed at informing their front-line troops about the unique characteristics of women. But, "wealth managers risk undermining their outreach efforts with tacky, stereotypical advertising."

### It's hard to break old habits

Given the preponderance of evidence of women's distinctiveness and dissatisfaction, why is the financial community still getting it wrong? Could it be because despite all the research and talk about 'marketing to women,' those who are creating the courses, workshops and materials, still aren't actually listening to women?

Why else would financial institutions continue to sell fear and patronize the very women they claim to want to attract?

### *Good News!*

*Women with lots of money want and need financial advice.*

**Warren Buffett Invests Like a Girl: And why you should, too.**

a book by LouAnn Lofton

**According to a compilation of experts, generally speaking women:**

- are less tolerant of jargon
- may be less knowledgeable
- want information, not a sales pitch
- are less willing to gamble
- look for long-term security
- lean towards preservation of assets
- focus on longer-term, non-monetary goals
- take time to make decisions
- seek help more often than men

One advisory firm tells women that most of them will be divorced, widowed or living on government assistance. Another talks about women lacking confidence and suggests that because they will most likely become the caregivers in the family they'll lose income and incur major financial costs – scare-mongering at its most blatant!

It gets worse, the following are the actual words used in marketing materials aimed at women:

- “*Aim higher*” – with very few words this headline implies that women don't aim high enough, that they are somehow lacking in ambition or lazy.
- “*Studies show that many women are more reluctant than men to take on the level of risk required to produce investment returns sufficient to meet their needs.*” – the message here is that women are likely to fail financially unless they ‘think’ like men.
- “*In a recent study, nearly 30% of women were more interested in preserving wealth than higher returns.*” – this makes women's preference for wealth preservation sound like a poor strategy, yet slightly less than 30% of the world's wealthiest investors also focus on wealth preservation – so how dumb is it?

With financial institutions using messaging that attacks a woman's sense of self, it is not hard to understand why even industry insiders acknowledge that there's still much work to do in overhauling the entire industry's male-focused communication style.

There are many well-documented differences between the financial aspirations and attitudes of women versus men. The financial community would do well to pay attention.

But one must be careful about buying into generalities – not all women are created equal, they have different personalities, needs and circumstances – some may be very knowledgeable or less risk averse than others – nevertheless, one thing they do have in common – *they all want to be listened to and treated with respect* – in fact they demand it and are quick to change advisors if they don't get it.

## Who will benefit from a change in approach?

### Advisors who get it right will be the winners – women want advice

The BCG study that found 73% of women “unhappy” with the financial services industry went on to state some good news, *women were more than willing to switch to providers that understand them better.* A Charles Schwab study found that 87% of high-net-worth women have no preference for their advisor's gender<sup>14</sup>.

This is strong indication that financial advisors who get it right will be the big winners when it comes to keeping and attracting female clients.

## Why bother making the effort to attract female clients? Are male clients not just as valuable?

In a recent article, JoAnne Sommers writes, “Women make outstanding clients. They’re extremely loyal and, if they’re happy with your service, they’ll probably stay with you longer than men, whom they outlive by five to seven years on average. Women are also much more likely than men to refer you to their friends and family.”<sup>15</sup>

*It does not take a leap of imagination to connect the dots – women are wealthier, control more money and are more powerful than ever, and they make excellent, loyal long-term clients who will help their advisors’ business grow through referrals.*

Undeniably, there is a huge market out there for advisors truly willing to listen and put in the time and effort required to understand women’s financial preferences.

However, Karin Mizgala, CEO of Money Coaches Canada warns that tapping into this market takes much more than passing out female-branded brochures and promoting female-focused workshops<sup>17</sup>.

She goes on to say, “...patience, a listening ear and an attempt to understand a woman’s disposition and life experience are key. An advisor must be committed to trying to understand what a woman’s needs are,” she says. “They don’t need pink. They need to be listened to and to be understood.”

## What DO women want?

### Women want respect

It can’t be said often enough – *women want to be listened to and treated with respect.* This does not mean all women want to be treated the same way, quite the contrary – while there are best practices, there are no cookie cutter approaches.

*Women want to be listened to and treated with respect.*

“Do not assume you know me! Ask the right questions and really listen to my answers, get to know me, make an effort to engage in meaningful dialogue and work on building a trusting relationship.” This is the common refrain from women.

“We are not a ‘segment,’ we are 50% of the population, they say,” Women shouldn’t be looked at as a niche market, but rather as the primary most important market for advisors to target.”

## Women make outstanding clients

### Referrals over a life time<sup>15</sup>

26 from women

11 from men

### Will seek advice<sup>16</sup>

46% of women

34% of men

64% of millionaire women

82% of ultra high-net-worth women<sup>7</sup>

## What women want from their advisors:

- inclusive, collaborative approach
- to be engaged in the financial planning
- a comprehensive financial picture
- to be educated about financial planning/ investing

## HOW CAN FINANCIAL ADVISORS PREVENT LOSING FEMALE CLIENTS?

While it may sound like there is a minefield of potential missteps that any advisor should avoid, they should take heart, *women are not looking for perfection. They are looking for advisors who are sincere and authentic.* Unfortunately this may be more challenging than perfection.

### Listen with heart

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#### HINTS

- Ask her:
  - what she wants from the relationship?
  - her preferred style of communication?
  - how often/where she wants to meet?
- Talk to her directly
- Make eye contact
- Listen to her views
- Be supportive

Women want you to listen to them. There's no pretending here. Either you *really* listen to clients and focus on them or you don't. There is little point in asking questions only to continue on your "canned" spiel.

Ask yourself, how much do you know about her as a person? What is her concern, not only about finances but as a mother, grandmother, wife, neighbour, community leader, professional? What is her life passion? How did she and her husband meet? What are their plans when they retire?

Be careful not to assume that all women are the same. Just because one woman likes to share personal stories does not mean they all do. *Ask* – find what she is comfortable sharing – can you find a common ground other than finances, music, art, sports? The key here is to be genuine – if you are merely feigning interest, she will pick up on it very quickly and you'll lose her for sure.

You may be used to seeing your client as "just" another investor, but women are far more than just investors. Most likely they would describe themselves as many things ahead of being an investor.

To keep your female clients and/or attract women, you need to take the time and make an authentic effort to learn about them and build a relationship so you can respond with financial advice that makes sense.

When you do sit down to talk with your female client, take everything you have learned about her into consideration and use language that speaks to the way she views and thinks about the world.

And finally, be prepared to walk away. If your worldviews and values are not in sync, it might not be the best relationship for either of you.

*Women are looking for advisors who are sincere and authentic. Take the time to learn about them and build a relationship.*



## Speak her language

A recent Globe and Mail article<sup>12</sup> cited TD Wealth research in which male and female participants were asked to create a collage of their investment goals using images. The women produced pictures of family, beaches, life experiences and aspirational views. The men showed things like hot cars, graphs and dollar signs.

That alone says a great deal about the “language” women use in relation to investing. It should also offer a pretty good clue as to language not to use – do not focus exclusively on charts and graphs and performance. While at the end of the day it may be useful information, it is not the way women tend to think about money.

Meet her on her terms and give her an agenda – better yet, ask what she would

like to discuss. Unless you get signals to the contrary (I have to be out of here by 11), never try to rush her into making a decision.

Once you get down to discussing her finances and you are making recommendations, talk about context for the investment you are considering. How does it fit with her life views? How do the things you recommend connect to what’s important to her?

Remember, for most women, investing is a means to an end, not the end in itself. So talk about what the money will allow them to do with/for other people important to them. Will they be able to help their son or daughter with tuition or a down payment on a house? Will she and her partner be able to retire and stay in the family home?

## Respect her

One would think that it shouldn’t be necessary to tell advisors to be “polite and respectful” but there appears to be quite a gap between how men and women interpret this concept.

The male advisor says, “I was on time, I shook hands, presented my materials in an organized business-like fashion – I even made sure to wipe my feet!”

The female client says, “He never once asked me a question about my job, he was patronizing when I asked him about risks, he seemed to want to rush me into

decisions, and he didn’t even remember that I had three, not two kids,” and so it goes.

When a woman says she would like her advisor to show her some respect, it means a lot more than wiping his feet at the door – it goes back to listening and speaking her language.

*Never smile  
condescendingly  
when she doesn’t  
know something!*

Respect for her means meeting her intellectually where she is, rather than expecting her to find her way to you. But don’t force the relationship. She’ll know right away and you’ll lose credibility.

## HINTS

- Ask her:
  - what’s new in her life
  - about her job, family, friends
  - what “risk” means to her
  - if she has any concerns to address
- Talk about her progress
- Use visuals
- Show her where she’s been/where she’s going
- Put consequences in terms of realistic outcomes

## HINTS

- Be respectful of her schedule
- Make time when she calls
- Go to her location
- Meet in person when possible
- Do favours for her
- Refer her to experts on other issues
- Listen to concerns patiently without judgment
- Ask what she thinks

**HINTS**

- Participate in women’s issues/organizations
- Make yourself available to groups
- Be visible in the community
- Don’t be arrogant
- Organize casual lunch and learn sessions

*Women like to learn from each other, and meet new people, but remember they have a life beyond their investments.*

**Build her confidence**

Notwithstanding that women have made undeniable progress, earning more college and graduate degrees than men, making up more than half the workforce, closing the gap in middle management and managing a healthy chunk of the nation’s wealth, the confidence gap persists. Women doubt their own abilities in investing.

This does not mean that you should treat them like children. Lacking confidence in their financial investment capabilities does not mean they are clueless – not by a long shot.

*“I have worked with many strong, capable female investors who insist on telling me that they ‘should know more’ or they aren’t very good even though they consistently make brilliant decisions.”<sup>18</sup>*

Frequently women know a lot more than they think they do but they want you to work with them, to help build their confidence.

While a male client is likely to be disinclined to admit he doesn’t understand something and you may be able to ‘gloss over’ certain details – a female client will hold your feet to the fire. She wants answers. She is more

interested in learning than in appearing to know it all.

According to a BNY Mellon and Pershing study<sup>16</sup>, half of the women surveyed want their advisor to “make me a smarter investor.” But it doesn’t mean hauling out the power point presentation and launching into complex discussions about “betas” and “alphas” and “P/E ratios.” It means answering her questions. It’s about helping her understand, where she is now, where she is going and how she is going to get there.

Women want to understand the whole process; they want a sense of context for their investing. What is their role in the relationship? What is your part? What comes first and next? And finally, what does success look like? Be careful not to simply site returns.

If you understand that women build their confidence in social ways, by talking about it, through others, by achieving small steps along the road, then you can help facilitate the learning.

**Why the urgency now?**

**Advisors can’t afford to wait: their practice is already changing**

There are a number of factors dictating the urgency of catering to the financial needs of women.

**ONE:** boomer men are beginning to die at an unprecedented rate. In fact, four times as many women were widowed in 2013 as men<sup>19</sup>. Typically Canadian men die five to seven years before their wives. This means that huge amounts of wealth will be left to their widows and, as we have already seen, 70-80% of these recently widowed women switch advisors because their current advisor has never taken the time to build a relationship with her.

**TWO:** women are gaining in wealth and power faster than ever before. They are looking for advisors who understand them and are willing to work collaboratively with them – now.

**THREE:** CRM2 (Client Relationship Model 2) has introduced some of the most important changes the industry has ever seen – and the people who are going to be asking the questions are women. It is particularly important that advisors understand why the questions are being asked and how to respond – it goes back to listening and respect – if they want to retain their female clients.

#### **Case Study #4**

Chatting over coffee with a good friend recently, the topic of financial security came up. Amanda was frustrated with her advisor and wondered if she was being reasonable. After many years of limited contact, often not amounting to more than an email update once a year – she reached out to him. She wanted details about her investments and specifically wanted to know how he was being compensated – a question that he had always brushed off with, “don’t worry I’m paid on the ‘other’ side, I don’t charge you.”

But now after hearing something about changes to how fees were going to be reported she insisted on a clearer answer. His response: he did not call but sent a complex legal document email attachment about the new regulations and a rather defensive note about how “he too had to make money.” It turns out that his services were in fact costing her more than \$3,000 per year, and she wasn’t sure what that paid for.

Two weeks after she asked him to call her with a time to meet in person she had yet to hear from him! Guess what? Now she is looking for a new advisor.

The sad thing is, Amanda was not dissatisfied with the returns she’d been getting over the years, nor was she particularly begrudging of the money her advisor was making on her investments – she was angry at his attitude and his lack of respect. She was angry that he couldn’t even be bothered to call her.

*Similarly the many married women, widows and newly wealthy women out there are not necessarily leaving their advisors because of poor returns; they are leaving because they are looking for a better more collaborative relationship.*

## Women:

- Appreciate your efforts
- Will refer you to friends
- Will take your recommendations
- Won't call to make a change when their security is down
- Believe in planning
- Will respond to a comprehensive approach
- Are long-term investors
- Are good decision makers

## So what's the payoff?

### Those who get it right will keep their female clients and see their business grow

Learning how to work with women isn't about accommodating something different for them. It's about advisors rethinking their client service model altogether.

Advisors might be surprised to find that the men in their client roster will respond just as positively as the women. But they should be aware that overall women are more loyal and profitable clients.

*Women will notice and happily enlist the help of advisors who make even the smallest effort to show they care, because they will stand out from all the many others who don't.*

### The payoff for female clients – peace of mind

We have already seen that Canadian women influence and control the largest amount of financial assets in history.

These women want and seek advice – on their terms. Finding the right advisor, for them means getting good advice, protecting their assets and enjoying growth over the long term – in short, ensuring the future well-being of the people they love. That's what's in it for them.

## A final word

Advisors should all take a serious look at their business and be asking themselves two questions:

- 1. Can I afford to continue ignoring women?**
- 2. Can I afford to be dumped by any of my female clients?**

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StrategyMarketing.ca helps the financial community understand the perspective of the female client and engage women on their terms in order to retain the assets they control.

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