

# *Women and Money — Matters of Trust: Why it Matters to You*

## Learning Objectives

*An understanding of the material in this chapter should enable the student to*

- 1-1. Describe the women's market paradox.
- 1-2. Explain the three primary drivers of women's wealth.
- 1-3. Define the opportunities of multicultural marketing and the growth of three emerging ethnic majorities.
- 1-4. Detail the major financial challenges that many women face.
- 1-5. Describe the second paradox dealing with financial professionals and trust.
- 1-6. Explain how trust is built and reinforced by the financial consultant's ethics, professionalism and behavior.
- 1-7. Identify the eight steps of the marketing/planning process.

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## INTRODUCTION—THE WOMEN'S MARKET PARADOX

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Why should financial professionals be interested in working with women prospects and clients? Why is earning their trust today more important than ever? What do professionals need to do to become and remain the trusted and indispensable financial consultant for their female clients? We explore these fundamental questions in this chapter and in this book, beginning with the women's market paradox.

When examining the women's market, a paradox, or seemingly self-contradictory statement, emerges that is as striking as it is telling. Understanding the paradox sets an important context, as it gives perspective on both the market's scope and complexity.

**women's market paradox** The women's market paradox is this: *American women are more educated and affluent than ever, yet are also at increased risk of poverty.* How can this be? One underlying reason is that there really is no such thing as a monolithic, homogeneous women's market. Another reason is that among American women, there is an extremely broad distribution of wealth. Because of these underlying issues associated with the women's market, it is important for financial consultants to be mindful of not only the opportunities that working

with women present them; but also the challenges their female clients may disproportionately, or even uniquely face.

In this chapter, we explore the women's market paradox further, including the growing economic opportunities for women and their potential financial consultants. Our discussion covers the important drivers of wealth creation for women; how these drivers have evolved over the past half century; and what the future might bring. We will also look at the formidable challenges many women face that threaten their financial security and increase their risks of poverty. Both aspects of the paradox are relevant to the work that financial professionals do.

The conclusion one might reasonably draw by studying the women's market, is that women have an unprecedented and virtually unlimited need for trusted, trustworthy financial consultants. This conclusion brings us to a second paradox dealing with women and financial services providers. That is, while studies show *many women benefit substantially from working with a financial professional, most do not trust the financial services industry or its representatives*. As such, we also examine the dimensions of trust and the qualities women seek in a trusted financial consultant. Last, we turn our attention to how financial consultants can better earn the trust of their female prospects and clients, while significantly growing their own business in the process.

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## WOMEN AND MONEY—THE OPPORTUNITIES

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To say that American women today have more financial clout than their predecessors would be an understatement. Representing more than half of the U.S. population, contemporary American women are better educated, earn more, and live longer than ever before in history. As a result, they have become one of the world's most powerful economic forces, not only in terms of their spending power but also in their share of wealth ownership. Consider these facts:

- Women control more than half of the investment wealth in the United States.<sup>2</sup>
- Women represent more than 40 percent of all Americans with gross investable assets above \$600,000.<sup>3</sup>
- Sixty percent of high net worth women have earned their own fortunes.<sup>4</sup>

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2. Elayne Clift. "USA: Women Moving Millions". *News Blaze*, September 16, 2008, <http://newsblaze.com/story/20080916135110tsop.nb/topstory.html>.

3. Capital Reflections, Inc., "Women: The Largest Consumer Market," February 1999.

4. Marie Swift, "Beyond Mars and Venus," *Financial Planning*, July 2007, 66–69.

- Forty-five percent of American millionaires are women.<sup>5</sup>
- Forty-eight percent of estates worth more than \$5 million are controlled by women, compared with 35 percent controlled by men.<sup>6</sup>
- In the next 40 years, American women are expected to receive a “double-dip” inheritance. The first installment will come from their parents and the second from their husbands. It is also possible they may inherit wealth from their husbands’ parents. Estimates for this transfer of assets range from \$14 to \$25 trillion.<sup>7</sup>

These compelling statistics are certainly not lost on the financial services industry. For roughly the past 20 years, women have been increasingly “targeted” as an attractive and growing market by the leading manufacturers of financial products and services. Among financial professionals, however, only a minority intentionally market to female audiences. According to the Life Insurance Marketing and Research Association (LIMRA), just 16 percent of male representatives, versus almost half of all female representatives, plan to target this market.<sup>8</sup> In addition, LIMRA points out that female representatives are three times more likely to contact women prospects than are their male counterparts.<sup>9</sup>

Here we have an underserved, yet increasingly wealthy market that presents significant revenue and growth opportunities for financial professionals. In light of the opportunities, it may seem strange that so few financial professionals express interest in marketing to female prospects and clients. One reason for this may be that the ranks of those in field distribution remain largely male dominated. Industry studies consistently reveal that men outnumber women across all industry models (i.e., insurance agents, registered representatives, investment advisors, financial planners, and so on) by a margin of at least three to one. As such, many consultants may have a lower comfort level in working with clients of the opposite sex. Or, there may be a low appreciation of the significant opportunities that women may represent for their financial services practice. Whatever the reasons, astute financial professionals who make it a priority to more effectively market to and work with women will stand to benefit both now and well into the foreseeable future.

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5. Barry W. Johnson and Brian G. Raub, “Personal Wealth, 2001,” *Statistics of Income Bulletin* 25, no. 3 (Winter 2005–2006): 120–146. <http://www.irs.ustreas.gov/pub/irs-soi/06winbul.pdf>.

6. Fara Warner, *The Power of the Purse: How Smart Businesses are Adapting to the World’s Most Important Consumer Women* (New Jersey: Pearson/Prentice Hall: 2006).

7. Paul Hodge, “Living Younger Longer: Baby Boomer Challenges,” (testimony presented at the 2005 White House Conference on Aging on October 1, 2004); Paul Schervish, “Great Expectations,” *American Demographics* (May 1, 2003).

8. *Women’s Market, Market Awareness Series 2007*. DVD. Hartford, CT: LIMRA, 2008.

9. *Ibid.*

### **Drivers of Her Wealth—Education, Employment and Earnings**

By understanding where women have been, are today and are headed tomorrow, financial professionals will be better positioned for success with female prospects and clients. As Ben Franklin said, “Today is yesterday’s pupil.” By extension, tomorrow will be today’s student. To fully recognize the opportunities the future holds in the women’s market, it is useful to understand important trends.

Over the past six decades, American women made tremendous gains in *education, employment, and earnings*. There can be little doubt that the advancements realized in this relatively short window of time have changed not only where women are today, but also our society as a whole.

If financial consultants find themselves wondering what the point of all this history and context might be, it is this: the most affluent and potentially lucrative segments of the women’s market are now in their second half of life. They either witnessed or took part in the transformation of women’s roles in the economy and at home. Many of these women may become the consultant’s very best clients in the decades to follow. Understanding their life experiences and perspectives through both their collective and individual histories provides an important competitive advantage. Evaluating influential trends also sheds light on the market potential and direction, along with what the future might hold.

#### ***Education***

#### **education**

When analyzing the three drivers of wealth, American women in the U.S. have made the most dramatic strides in education. While the number of male college graduates in America more than doubled from the middle to the end of the 20th century, the number of female college graduates almost tripled. Among those earning a college degree in 2000, women outnumbered men, representing 57 percent of graduates—quite a shift from 1950, when females comprised less than one of four (23 percent) graduates.<sup>10</sup> For nearly three decades, women have earned more bachelor and master degrees each and every year than men.<sup>11</sup> The chart below shows the percentages of degrees granted recently by gender, according to the U.S. Census Bureau.

As women have become better educated, so too has the way in which society perceives them and their capabilities been transformed. In addition, women have grown more affluent as a result of their gains in higher education. According to CEG Worldwide, one-third (33.1 percent) of wealthy women in the United States have a graduate degree, and just short of two-thirds

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10. “High School and College Graduates,” *InfoPlease® Database*, (2007). <http://www.infoplease.com/ipa/A0112596.html>.

11. “Professional Women: Vital Statistics Fact Sheet 2009,” Department for Professional Employees, June 2009.

(61 percent) have undergraduate degrees.<sup>12</sup> Attendant with their educational achievements, it logically follows that American females have made substantial gains in the workplace as well.

| Percentage of Degrees Granted to Women In 2005–2006 School Year |     |
|---|-----|
| Undergraduate   | 59% |
| Graduate  | 60% |
| PhD   | 47% |
| JD  | 52% |
| MD  | 46% |

Source: Newsroom Facts, 2005–2006 School Year, U.S. Census Bureau, February 22, 2006

### **Employment**

#### **employment**

In 1950, just about one in three women worked full-time outside the home. The rest worked full-time inside the home—cooking, cleaning, taking care of families and husbands. Back then, the “feminine ideal” portrayed in advertising and the media was the woman as homemaker.

Just one to two decades later, the ways that women were portrayed in the public eye began to shift dramatically. Many credit this transformation to Betty Friedan, author of the *Feminine Mystique*.<sup>13</sup> A homemaker and mother herself, Friedan challenged the role of the full-time housewife, as one in which women lose their identities and sense of self-worth. Controversial feminist literature, such as that written by Friedan, as well as the changing depiction of females in the American media, served to influence an entire generation of women. As a result, in the latter half of the twentieth century, successful women were portrayed as those who could “have it all”—family, career and financial freedom. As one memorable fragrance commercial put it: “I can bring home the bacon, fry it up in a pan and never let you forget you’re a man...[be]cause I’m a woman.”

By 2000, 60 percent of women—nearly twice as many as in 1950—were working full-time outside the home. For most families today, having one spouse working exclusively in the home is no longer economically feasible. Indeed, the costs of housing, health care, funding retirement and raising/educating children have increased dramatically in the last 50 to 60 years. Along with increases in basic living expenses, the American appetite for goods and services has also grown. Many couples now see the need for both spouses to generate income just to make ends meet, let alone get ahead. Beyond financial need is also the desire that many women have to work outside the home for both personal satisfaction and financial gain.

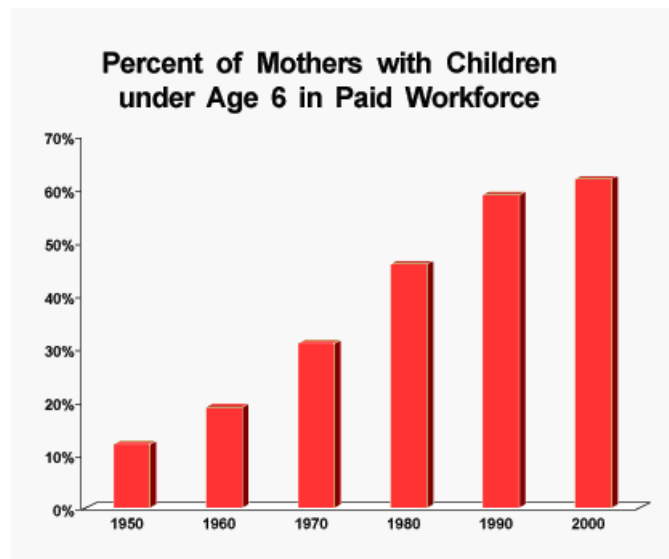
12. John Bowen Jr., “Women of Wealth: Many Affluent Women Have Earned—Not Inherited Their Wealth,” *Financial Planning* (November 1, 2006):1.

13. Betty Friedan, *The Feminine Mystique*. (New York: W.W. Norton & Company, Ltd, 2001).

## work

***Work Outside the Home, Its Impact and Implications.*** Without question, the achievements women have made in employment have altered the face of the American family and the woman's role within it. Today, most contemporary females in the U.S. are both homemaker and moneymaker in their households. Consider these facts:

- It is estimated that two-thirds of families today depend on two incomes.<sup>14</sup>
- Only 25 percent of U.S. households today represent the “traditional” nuclear family.<sup>15</sup>
- Increasingly, mothers—even those with younger children—are entering the workforce. More than two out of three mothers with children under age six now work outside the home. This telling chart reveals just how dramatic the shift has been for working mothers over the past 50 years:



Source: Edward J. McCaffery, “Women and Taxes,” National Center for Policy Analysis, February 28, 2002.

Not only are more women at work than ever before, but their financial contributions to the family income are growing as well. According to the U.S. Census Bureau in 2003, at least half of all wives earned as much or more than their husbands, with at least one-third earning more.<sup>16</sup>

14. Ed McCarthy, “Smarter Selling to Women,” *Senior Market Advisor* (December 1, 2008).

15. “American Fact Finder,” U.S. Census Bureau, 2005.

16. U.S. Census Bureau of Labor Statistics, 2003.

As a result of the Great Recession of 2008/2009, it is likely that even more women now out-earn their husbands. Evidence for this emerging trend can be found in a range of studies, including recent surveys reported by PayPal and Money Magazine. In a 2008 study by PayPal, one in 10 American families had seen the primary breadwinner change, due to ongoing financial difficulties.<sup>17</sup> According to Money Magazine in June 2009, the jobless rate for American men was 10 percent versus 7.6 percent for women.<sup>18</sup>

Despite her changing role as an income generator, today's working woman also continues to fulfill the primary responsibilities of family care giving and housekeeping. In households where both spouses work, women tend to take on more duties. According to Salary.com, working dads reported an average of 38.7 hours of "at home work" compared to 49.0 hours for working moms.<sup>19</sup> In addition, the average woman takes 12 years out of her working life to care for children or parents.<sup>20</sup> As a result, a common experience shared by many working mothers is sometimes referred to as "time poverty."

Since the demands on their capacity are both significant and unrelenting, many women do not take the time needed to plan for their financial future, or meet with a financial professional. Further compounding the difficulties of reaching and scheduling appointments with employed women and their spouses are their respective work schedules. Four in 10 working women work evenings, nights, or weekends on a regular basis, and 33 percent work shifts different than their spouses or partners.<sup>21</sup>

## professions

**Professions.** Where do women work? While by no means a comprehensive listing, the industries in Table 1-1 represent those with the greatest majority of female workers as perspective.

For those interested in marketing to women by their occupational choices, the U.S. Census Bureau provides a wealth of information by geography and gender at [www.census.gov](http://www.census.gov).

In addition to the industries they dominate, women are also succeeding in positions of leadership. More than half of all persons employed in management, professional, and related occupations are female.<sup>22</sup> According to Susan Sweetser, J.D., MBA, CLU®, and ChFC®, and expert on American women in leadership positions, there are more than 1.3 million female executives in the United States

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17. Jennifer Openshaw, "The 15-Minute Tip: Recession-Proof Relationships," *The Wall Street Journal: Market Watch*, (February 18 2009).

18. George Mannes, "Is the Economy Ruining Your Marriage?" *Money*, (August 21 2009), [http://money.cnn.com/2009/08/10/news/economy/economy\\_marriage.moneymag/index.htm](http://money.cnn.com/2009/08/10/news/economy/economy_marriage.moneymag/index.htm).

19. [www.salary.com/sitesearch/layoutscripts/sisl\\_display.asp?filename==destinationsearch/par662\\_body](http://www.salary.com/sitesearch/layoutscripts/sisl_display.asp?filename==destinationsearch/par662_body).

20. "Facts and Figures," Social Security Administration, January 2005.

21. "Working Women Speak Out," Business and Professional Women's Foundation, 2004.

22. "Women in the Labor Force: A Databook," U.S. Department of Labor, September, 2006.

earning more than \$100,000 per year. One third of this group are in managerial or professional specialty positions, including doctors, lawyers and CPAs.<sup>23</sup>

**Table 1-1**  
**Female Dominated Occupations**

| Occupation  | Percent of workers who are women |
|---|----------------------------------|
| Dental hygienists   | 99                               |
| Speech-language pathologists  | 98                               |
| Preschool teachers  | 97                               |
| Kindergarten teachers   | 97                               |
| Secretaries and administrative assistants                                   | 97                               |
| Dental assistants   | 96                               |
| Child care workers  | 95                               |
| Licensed practical and vocational nurses                                    | 93                               |
| Receptionists and informational clerks                                      | 93                               |
| Medical and health information technicians                                  | 93                               |
| Registered nurses   | 92                               |
| Teachers assistants   | 92                               |
| Medical assistants  | 91                               |
| Source: "Current Population Survey," U.S. Bureau of Labor Statistics, 2007. |                                  |

Despite their progress among the ranks of leaders in organizations and professions, the glass ceiling remains a frustrating reality for some: in 2009, just 16 percent of Fortune 500 corporate officers were female. Further, women represented less than 3 percent of Fortune 500 Company CEOs.<sup>24</sup> On the whole however, the gains women have made in leadership over less than half a century are really quite remarkable.

#### business owners

**Business Owners.** Beyond improving their employment status, women are also creating their own opportunities; launching new businesses at twice the rate of men.<sup>25</sup> Today, three out of four new businesses are owned by women.<sup>26</sup> To illustrate the size, growth and composition of this group, consider these facts:

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23. Susan Sweetser, "Mining Gems: The Secrets of Creating Successful Client Relationships with Women," *LIMRA MarketFacts Quarterly*, Fall 2006.
24. Barbara Frankel, "Why are Women CEOs Still So Rare?", Diversity Inc., April 13, 2009.
25. Marti Barletta, *Marketing to Women* (Chicago, IL: Dearborn Trade Publishing, 2006).
26. "Key Facts about Women-Owned Businesses," Center for Women's Business Research, 2009.

- More than 10 million firms in the United States are majority or equally owned by women.<sup>27</sup>
- In 2004, nearly half of all privately held firms were at least 50 percent owned by women.<sup>28</sup>
- Between 1997 and 2004, the number of ethnically diverse women-owned firms increased six times faster than all firms during the same period (55 percent versus 9 percent).<sup>29</sup>
- About one in five (21 percent) of women-owned businesses are owned by a woman of color.<sup>30</sup>

As additional perspective, the biggest growth industries for female business owners from 1997 to 2006 were:

- wholesale trade firms (283.4 percent growth)<sup>31</sup>
- professional, scientific, and technical services (88.1 percent increase in annual sales)<sup>32</sup>
- health care and social assistance companies (84.2 percent expansion)<sup>33</sup>
- administrative and support services (79.9 percent increase in revenues)<sup>34</sup>

One of the most appealing aspects of marketing to women business owners is the dual opportunities it presents. Qualified financial consultants who specialize in business markets can address both the needs of the female business owner, and her employees as well. Here are two statistics that demonstrate some of the upside that this market segment offers:

1. As business owners, just one in four women (26 percent) have put a formal succession plan in place for their business.<sup>35</sup>

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27. "Women Business Owners and Their Enterprises," National Women's Business Council, July 2007.

28. "Fact Sheet," National Women's Business Council, March 2005.

29. Center for Women's Business Research, 2005.

30. "Women Business Owners and Their Enterprises," National Women's Business Council, July 2007.

31. "Women-Owned Businesses in the United States (Fact Sheet)," Center for Women's Business Research, 2006.

32. Ibid.

33. Ibid.

34. Ibid.

35. "Small Business Owners Report," LIMRA International, 2005.

2. Only one-fifth of women owners say they are satisfied with their firm's current benefits package.<sup>36</sup>

Taking care of employees retained by women business owners represents potential for big business. According to the National Association of Women Business Owners and the Small Business Administration, female business owners employed approximately 27 million Americans in 2007.<sup>37</sup> These business owners and their employees have need for financial services and products, of course. In 2004, the Center for Women's Business Research found that women-owned businesses spent an estimated a total of \$546 billion in 2004 with \$492 billion allocated to salaries/wages, and the remainder (\$54 billion) on employee benefits. The center also determined that health insurance comprised the largest share of benefit expenditures, estimated at \$38 billion.<sup>38</sup>

The growth and development of women-owned businesses are significant trends for discerning financial professionals to both observe and build their expertise around. Equally important are the opportunities to market to more narrowly defined niches within the business owner segment, as we shall see in Chapter 2.

### ***Earnings***

earnings

The success that women have realized in education and employment have led to significant gains in income as well. One of the more notable outcomes has been the narrowing of the much publicized and frequently debated pay or earnings gap—the discrepancy in average incomes earned by men and women.

In 1963, Congress passed, and President John F. Kennedy signed, the Equal Pay Act, requiring that men and women be given equal pay for equal work in the same establishment. Despite this legislation, the earnings gap stubbornly persisted through the end of the century—and still exists today, though to a much lesser extent. In fact, the pay gap actually increased after the Equal Pay Act was signed. Back in the early 1960s, women's average earnings were 60 cents on the dollar compared to men, or about 40 percent less.<sup>39</sup> By the advent of the 21st century, the gap had narrowed to a 26 percent disparity, with American women earning roughly 74 cents compared to men.<sup>40</sup> Over the 40-year period between 1960 and 2000, women realized a 23 percent overall increase in pay parity (but just half a percent when compounded annually).

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36. "Women-Owned Small Business: Results from the 2005 U.S. Small Business Study," LIMRA International, 2005.

37. "Women in the Workplace, Marketplace and Society," National Association of Women Business Owners & Small Business Administration, 2008.

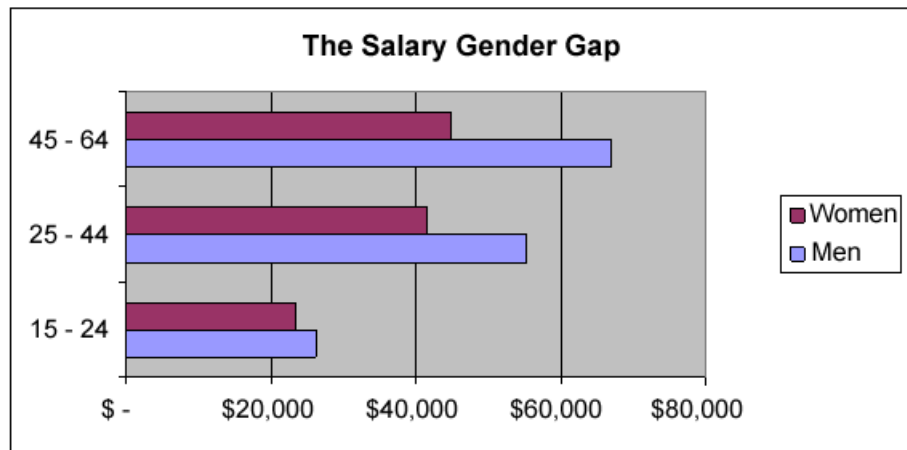
38. Center for Women's Business Research, 2005

39. The Prism, *The Path of the Women's Rights Movement*, <http://www.ibiblio.org/prism/mar98/path.html>.

40. "Woman's Earnings as a Percentage of Men's Earnings by Race and Hispanic Origin: 1960 to 2007" U.S. Census Bureau.

Some attribute at least part of the pay gap to lower-paying career choices, family demands that often dictate women's decisions to work part-time versus full-time, and the fact that women often leave the workforce to care for family members.

According to the U.S. Census Bureau, in 2008, the gap was narrowest between younger women and men, and expanded among older age groups.<sup>41</sup> This suggests generational differences in pay disparity and that younger women may have benefitted from the gains made by their older peers. The chart below reflects differences in male/female average earnings by three age groups.



Source: U.S. Census Bureau data found in Lyric Winik and Meg Massey, "Intelligence Report," *Parade* (January 18, 2009).

With continued gains in education and employment, it is reasonable to expect that the earnings gap will continue to narrow even further. The smaller differences between younger males and females give partial support to this expectation. Recently enacted and proposed legislation will likely have an impact as well. In 2009, Congress passed, and President Obama signed into law, the Lilly Ledbetter Fair Pay Act<sup>42</sup> which extends the time that a worker can sue a former employer for pay discrimination. Another piece of related legislation, the Fair Pay Act, is currently under review.

41. U.S. Census Bureau, 2008

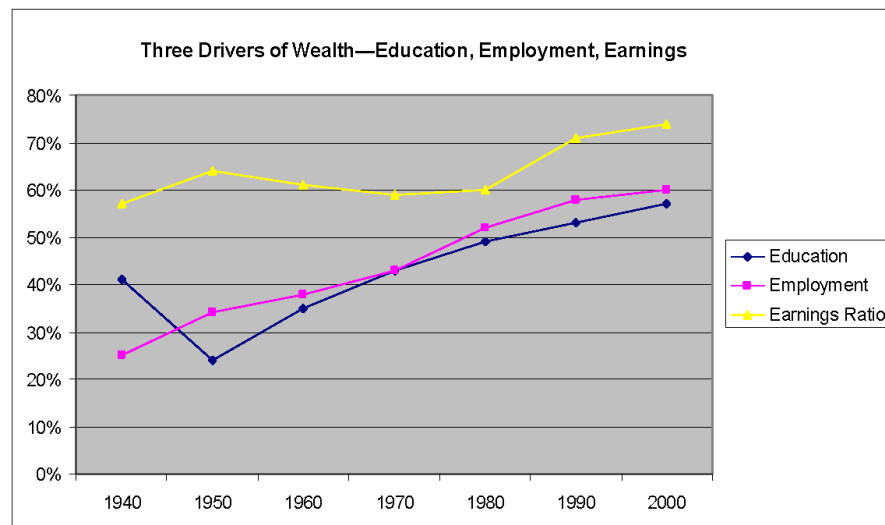
42. National Women's Law Center, *Lilly Ledbetter Fair Pay Act.*, <http://www.nwlc.org/fairpay/ledbetterfairpayact.html>.

### **Summary of Wealth Drivers—The “Big Three E’s”—Education, Earnings and Employment**

#### wealth drivers

The chart below depicts the dramatic gains women have made in the three drivers of wealth—education, employment and earnings—in a relatively short span of just decades. It represents the following trends at the inception of each decade between 1940 and 2000:

1. the ratio of females to males earning a bachelors degree
2. the growth in full-time employment among women aged 16 and over
3. the earnings ratio (or pay gap) reflecting the percent of dollars earned by women on average, compared to the average for men



Education Source: “High School and College Graduates,” *InfoPlease® Database*, (2007). <http://www.infoplease.com/ipa/A0112596.html>.

Employment Source: “Women in the Labor Force,” *InfoPlease® Database*, (2007). <http://www.infoplease.com/ipa/A0104673.html>.

Earnings Source: The Gender Wage Gap: 2008, Institute for Women’s Policy Research, <http://www.iwpr.org/pdf/C350.pdf>.

Since the middle 1980s, progress in women’s education, earnings, and employment have all been on positive trajectories of accelerated growth. Females now coming into their formative earning years have seen nothing but gaining momentum on all three fronts. What does this mean to financial professionals? These increasingly empowered women are now in their prime earning phases of life. This means significant opportunity for well-positioned

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professionals to capture more assets and premiums under their management for years to come.

### Her Ethnicity

ethnicity

Beyond the three main drivers of wealth are also important societal shifts, including the emergence of three influential ethnic segments of the women's market. Together, Hispanics, Blacks, and Asians are among the fastest-growing ethnic segments of the U.S. population.<sup>43</sup> Contemporary marketers categorize these three primary ethnic markets as *emerging majorities*, acknowledging their combined economic influence.<sup>44</sup> As evidence of this, 90 percent of high-net-worth households in 1990 were Caucasian, falling to 78 percent in 2007.<sup>45</sup> The following is a discussion of noteworthy aspects and the potential of each emerging segment within the women's market.

### Hispanic Women

Hispanic Women

There are several reasons why Hispanic women are an attractive market. The Hispanic community is the largest ethnic minority in the United States, constituting 15 percent of the nation's total population in 2009.<sup>46</sup> By 2050, Hispanics are projected to make up 24 percent of the U.S. population.<sup>47</sup>

Sixty-four percent of Hispanic-origin people are in households of Mexican background. Another approximately 10 percent are of Puerto Rican background, with about 3 percent each of Cuban, Salvadoran, and Dominican origins. The remainder are of Central American, South American, or other Hispanic or Latino origins.

In addition to their burgeoning numbers, is the growing wealth of Hispanics. There are more than 3.7 million affluent Hispanics in the United States, and over half of all Hispanic households make over \$50,000 per year.<sup>48</sup> The affluent segment of the Hispanic market alone is thought to have a buying power in

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43. U.S. Census, 2000

44. Jeffrey M. Humphreys, "The Multicultural Economy 2003: America's Minority-Buying Power," GBEC 63, no. 2, 2003.

45. "2007 Phoenix Wealth Survey Executive Summary," Phoenix Equity Planning Corporation, 2007.

46. "Facts for Features," U.S. Census Bureau, July 15, 2009, [http://www.census.gov/Press-Release/www/releases/archives/facts\\_for\\_features\\_special\\_editions/013984.html](http://www.census.gov/Press-Release/www/releases/archives/facts_for_features_special_editions/013984.html)

47. U.S. Census Bureau, 2000.

48. Carlos Ulibarri, *Marketing to Affluent Hispanics*, [http://www.brandchannel.com/papers\\_review.asp?sp\\_id=332](http://www.brandchannel.com/papers_review.asp?sp_id=332)

excess of \$300 billion.<sup>49</sup> Yet, despite their numbers and wealth, less than 5 percent of advertising targets affluent Hispanics.<sup>50</sup>

### ***Asian Women***

#### **Asian Women**

Asian-Americans have the highest average household income of all emerging minority groups, and together represent more than \$400 billion in purchasing power.<sup>51</sup> According to 2000 U.S. Census numbers, their median income is 32 percent higher than the median income of the general population.<sup>52</sup> Images of success and aspiration resound with Asian women in general, and with younger Asian women in particular. The Asian population places a high emphasis on education and is three times more likely to get a college degree than Americans as a whole. In addition, Asian women own more than 359,000 businesses, representing one of the fastest-growing segments of women-owned businesses.<sup>53</sup>

### ***Black Women***

#### **Black Women**

The growing socioeconomic status of Black women presents additional opportunities for financial consultants. Increased education—35 percent of Black women attend college—has resulted in higher earnings. Single, never married Black women also represent a strong market opportunity. According to the US Census Bureau, in 2001, almost half (49.5 percent) of Black women aged 30 to 34 have never been married, compared with 17.1 percent of white women in the same age group.<sup>54</sup>

Black women, more so than the general population, manage the family household budget. Research by Fannie Mae in 2001 found that 68 percent of Black women, compared with 55 percent of all women, said they solely managed their household's budget.<sup>55</sup> The growing education, affluence, and independence of Black women will make them increasingly important as a target market for financial services.

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49. Ibid.

50. Ibid.

51. Karen Krebsbach, "Affluent Asian Americans Elusive for Some Banks," *US Banker* 117, no. 2, 2007, 12.

52. U.S. Census Bureau, 2000

53. Center for Women's Business Research, "Asian Women Business Owners in the U.S.," (funded by Wells Fargo Bank), 2003.

54. National Healthy Marriage Resource Center, *Trends in Percent Ever Married by Age and Race/Ethnicity*, <http://www.healthymarriageinfo.org/docs/marriedbyrace.pdf>.

55. "2002 Fannie Mae National Housing Survey," Fannie Mae, 2002

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## The Future

What might the future hold for financial professionals choosing to work more effectively with female prospects and clients? The women's market and their demand for financial services will continue to evolve. Forward thinking professionals must be prepared. Interpreting key trends and projecting them towards the future reveals new opportunities, issues and implications for financial consultants. Females who earned their bachelor's degrees in the 1970s, and master's in the 1980s, are amassing larger sums of wealth as they prepare for retirement. Women who graduated in the 1990s and the 2000s are building their careers and families. In addition to their earned wealth, many will be in line to manage inherited family fortunes as well. By some estimates, in 2030, American women will control as much as two-thirds of the nation's wealth.<sup>56</sup>

Trends in education, employment and earnings point to a bright future for many women and their financial professionals. Emerging ethnic groups hold promise of greater prosperity for their members; as well as those who serve them. As female clients learn and earn more, they will become more financially sophisticated. This means they will also demand more competence and expertise from their financial consultants.

Paradoxically, there is a flip side to the bright prospects ahead for many American women and their professional advisors. Focusing only on the brightest aspects of the market potential would not alert financial professionals to the challenges many women will face.

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## WOMEN AND MONEY—THE CHALLENGES

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Despite the extraordinary achievements that many females have realized in the past few decades, there are four major financial challenges that most share. While there is a broad range of additional risks among the six areas of financial planning that we will discuss later, these four particular challenges are common for many women:

1. singlehood
2. low financial literacy
3. low financial preparedness
4. increased risk of poverty

These challenges further heighten the need for women to have capable, trustworthy financial consultants to advise them—even if they cannot afford to pay for services. At times, the consultant may find him- or herself in the role of non-profit counselor, working with a woman who might be what some call a “charity case.” Stepping into the role of unpaid counselor versus paid

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56. “New Investment Strategy Recognizes Women's Unique Financial Concerns.” *PRLog*, July 10, 2009. <http://www.prlog.org/10278786-new-investment-strategy-recognizes-womens-unique-financial-concerns>.

product/service provider can truly make a difference in the lives of those living close to the margins. Here is a brief overview of each of these significant challenges that many women experience.

### **Singlehood**

The rapid expansion of single women has created a substantial, if not seismic, shift in American society. The ratio of married to unmarried people, particularly among younger demographics, has been declining steadily for decades. As a result of increased economic independence, greater longevity, life circumstance, or some combination, more women are single than ever before in history.

Today, *more than half* (51 percent) of the female adult population in America is single. A recent New York Times article captured a telling quote from Dr. William H. Frey, demographer with the Brookings Institution: “Since women continue to outlive men, they have reached the non-marital tipping-point—more non-married than married. This reflects the culmination of post-1960 trends with greater independence and more flexible lifestyles for women.”<sup>57</sup>

It is believed that the vast majority (90 percent) of American women will become single during their adult lifetimes.<sup>58</sup> Among all U.S. households, more than one in four (approximately 31 million), are currently headed by a woman only. Over 9 million of those households are headed by a woman who never married, 12 million by divorced or separated women, and 9 million by widows.<sup>59</sup> In addition to the personal trauma that divorce and widowhood often create, there are heightened financial risks. Households headed only by a woman survive on about half (52 percent) of the income generated by all other American households.<sup>60</sup>

### **Divorce**

divorce

Divorce is a life circumstance that can hit a woman especially hard. According to Morningstar Investment research, one year after a divorce, a woman’s standard of living falls about 30 percent on average, while a man’s rises 10 percent.<sup>61</sup> This difference may be due in part to the judicial process and enforcement, since only 15 percent of divorcing women are awarded any form

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57. Sam Roberts, “51 percent of Women Are Now Living Without Spouse,” *The New York Times* (January 16, 2007).

58. Kerry Hannon, *Suddenly Single*, (New York: John Wiley & Sons, Inc., 1998).

59. Ruth Mantell, “Women survive on 52% of typical household income,” MarketWatch, December 2, 2008.

60. Ibid.

61. “The Woman’s Guide to Money Matters,” MorningStar Investment Research Center, 2008.

of court ordered spousal support; and fewer than half of all women with court ordered child support ever get the full amount.<sup>62</sup>

**Widowhood**

widowhood

Becoming a widow in the second half of life is a common reality for many American women. In 1999, there were more than four times as many widows (8.4 million) as widowers (1.9 million).<sup>63</sup> By 2007, 42.2 percent of women past the age of 65 were widowed.<sup>64</sup> The chart below reflects the population of widows, by age group, according to the 2008 U.S. Census.

| Population of Widows in the United States |                   |
|---|-------------------|
| Age Group                                 | Widow Population  |
| 15-17 years                               | 6,000             |
| 18-19 years                               | 3,000             |
| 20-24 years                               | 29,000            |
| 25-29 years                               | 62,000            |
| 30-34 years                               | 74,000            |
| 35-39 years                               | 118,000           |
| 40-44 years                               | 219,000           |
| 45-49 years                               | 355,000           |
| 50-54 years                               | 618,000           |
| 55-64 years                               | 1,862,000         |
| 65-74 years                               | 3,281,000         |
| 75-84 years                               | 4,988,000         |
| 85+ years                                 | 2,698,000         |
| <b>Total Widows in US</b>                 | <b>14,313,000</b> |

Source: U. S. Census Bureau Current Population Survey, 2008 Annual Social and Economic Supplement, Table A1. Marital Status of People 15 Years and Over, by Age, Sex, 2008.

The “double-whammy” of widowhood is that it not only creates deep emotional loss, but also financial losses on a scale that may lead to poverty, as evidenced by these sad statistics:

62. Kerry Hannon, *Suddenly Single*, (New York: John Wiley & Sons, Inc., 1998).

63. AARP, 2008

64. U.S. Census Bureau, “Current Population Survey, Annual Social and Economic Supplement, 2007.

- When a woman outlives her husband, her income decreases by 50 percent on average, yet expenses only decrease by 20 percent.<sup>65</sup>
- One in four of women are broke within 2 months of being widowed.<sup>66</sup>
- Roughly 80 percent of widows living in poverty were not poor when their husbands were alive.<sup>67</sup>

By contrast, the highest percentage of single high-net-worth females (37 percent) are in fact widowed, compared to affluent single males of which only 15 percent are widowers.<sup>68</sup> This represents another example of the women's market paradox—the broad economic disparities and distributions of wealth among American females. Further magnifying risks associated with singlehood are the relatively low rates of financial literacy that many women share.

### **Financial Literacy**

#### **financial literacy**

It should come as no surprise to most financial professionals that much of the American public is either misinformed, or more likely uninformed, about their personal finances. In a 2007 survey by the Jump\$tart Coalition for Personal Financial Literacy, one out of four adults failed a quiz with questions covering money basics (e.g., inflation, interest rates, debt, savings vehicles).<sup>69</sup> The same research revealed that women were almost three times more likely to fail the quiz than men; 42 percent scored an F, compared with 15 percent for men.<sup>70</sup>

Disturbing gaps in financial literacy are also evident in the generally low familiarity that many women have with common financial products. The chart below, derived from a recent study by Prudential Financial, reveals that, even on core products like annuities, mutual funds, and long-term care insurance, large percentages of women did not display high rates of financial literacy. Nearly half of respondents in the study said they did not understand these products well, or at all. It is worth noting that two of these three (annuities and long-term care insurance) are products with particular relevance and importance to women, as we shall see in coming chapters.

Some academics speculate that part of the reason for low financial literacy rates among females may be attributed to gender stereotyping. For centuries, American women were neither engaged nor empowered financially. Common law, which developed in England and migrated to the United States, greatly

65. *LIMRA Market Facts Quarterly*, Fall 2006

66. Federal Interagency Forum on Aging Related Statistics, "Older Americans 2008: Key Indicators of Well-Being," March 2008.

67. Kerry Hannon, *Suddenly Single*, 1998.

68. "When Marketing, Life Insurers Must Also Target the Ever-growing 'Suddenly Singles,'" *Best Wire*, Real-Time Insurance Newsletter, 2007.

69. Liz Weston, "9 Money Rules to Live By," *MSN Money*, January 16, 2008.

70. *Ibid.*

influenced the economic status of women up until the latter part of the 20th century. For example, under common law, an unmarried woman could own property, make a contract, sue or be sued. However, a married women, gave up her name, and virtually all her property came under her husband's control. During the early history of the United States, a man essentially owned his wife and children, as he did his material possessions.<sup>71</sup>

| <b>Product Literacy Rates Among Women</b>  |   |  |
|--|---|--|
| <b>Financial Product</b>   | <b>% Understanding Somewhat/Very Well</b> | <b>% Understanding Not Too Well/Not At All</b> |
| Annuities  | 41%                                       | 59%  |
| Mutual Funds   | 53%                                       | 47%  |
| Long-Term Care Insurance   | 54%                                       | 46%  |
| Estate Planning, Trusts and Wills  | 54%                                       | 46%  |
| Individual Stocks and Bonds  | 56%                                       | 44%  |
| 401k, 403b and 457 Plans   | 70%                                       | 30%  |
| Life Insurance   | 84%                                       | 16%  |
| Savings Accounts   | 98%                                       | 2%   |
| Source: Financial Experience and Behaviors Among Women, Prudential Financial, 2006 |   |  |

In light of both the historical context and the gender stereotyping that went along with it, most women were not educated or expected to take up financial responsibilities. Today, many women remain significantly behind in their financial education. Despite the strides made by women in their earnings, education and employment, they have not progressed as successfully in the area of financial literacy.

According to a survey conducted by Allianz in 2007, 57 percent of female respondents said they wish they had learned more in school about money and finance.<sup>72</sup> Industry and academic studies also reveal that boys have typically received more encouragement to earn and save, as well as to excel in math, than girls. Findings of the landmark Gender Investment Comparison Study by the Dreyfus Corporation, and the National Center for Women and Retirement Research support these conclusions.<sup>73</sup> The survey found that sons were more likely to be encouraged by parents to earn money at a much earlier age (13) versus daughters (16–18). In addition, boys were twice as likely to be encouraged by their parents to save money. The study also determined that

71. The Women's International Center, "Women's History in America," [www.wic.org](http://www.wic.org)

72. Allianz Life Insurance Company, Harris International, Age Wave, "Women, Money & Power Study," 2008.

73. Dreyfus Corporation and the National Center for Women and Retirement Research, "Gender Investment Comparison Study," 1997.

women who were well supported in math achievement by parents or teachers early in life were more confident with math during school and later more confident in their financial management abilities. Conversely, women who were uncomfortable with math during high school were more prone to financial worry in adulthood and likely to be more conservative in their investment choices.<sup>74</sup>

Regardless of the causes of low financial literacy, the unfortunate consequences are often inaction and poverty. The likelihood of an individual being on welfare is inversely proportionate to financial literacy levels.<sup>75</sup> In other words, the lower the literacy rate, the higher the risk of poverty. Further, 43 percent of adults with the lowest level of financial literacy live in poverty, compared to only four percent of those at the highest level.<sup>76</sup>

### **Financial Unpreparedness**

Limited understanding of financial issues and instruments can also create inertia, or being “stuck,” when it comes to financial planning and decision making. It is not uncommon for people to say that the seemingly endless barrage of financial information is often difficult to absorb. This sentiment was captured in a 2007 study by Allianz, in which 44 percent of women surveyed said they found financial information overwhelming or too hard to sort through.<sup>77</sup> One of the outcomes of being overwhelmed may be that women feel ill-equipped to make prudent financial decisions. Research by Prudential Financial found that less than one in four women said she was “very well” prepared for financial decision making.<sup>78</sup>

How can prospects and clients of either gender chart a deliberate course of financial action, when the details are not well analyzed or understood? A striking example of financial unpreparedness is the fact that approximately 25 percent of women have no savings at all for retirement.<sup>79</sup>

### **Poverty**

Financial risks increase significantly as a result of singlehood, low financial literacy and lack of preparation. Far too many women find themselves in financial jeopardy, especially later in life. Nearly three out of every four Americans over 65 living in poverty are women, and older women living alone

poverty

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74. Ibid.

75. Virginia Credit Union League, “Financial Literacy Statistics,” 1997–2005. [http://vacul.com/fin\\_lit/stats.htm](http://vacul.com/fin_lit/stats.htm)

76. Ibid.

77. Allianz Life Insurance Company of North America, “Allianz: Women Keen on Finance,” June 24, 2008.

78. Prudential Financial, “Financial Experience & Behaviors Among Women,” 2008.

79. Employee Benefit Research Institute and Investment Company Institute Survey.

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are more than twice as likely to be impoverished than are men.<sup>80</sup> Even more disheartening is that the United States has the highest poverty rate for elderly women of all post-industrial nations.<sup>81</sup>

For some women, particularly those of the Baby Boom generation, the future holds higher risks of poverty after decades of inadequate preparation for retirement and the significant loss of wealth in the aftermath of the 2008 market meltdown. Supporting this prognostication are results from a recent survey by the Employee Benefit Research Institute and market research company Mathew Greenwald & Associates. Their study reveals that in 2008, only 13 percent of Americans were very confident about having enough money to retire, down from 27 percent in 2007.<sup>82</sup> Since Baby Boomer females, in general, earned less and therefore saved less than their male peers; the lack of financial education, preparation and singlehood may put many of these women in financial peril.

“I believe every right implies a responsibility; every opportunity, an obligation; every possession, a duty.”

John D. Rockefeller, Jr.

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## THE SECOND PARADOX

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The women’s market paradox presents financial consultants and the financial services industry both tremendous opportunity and obligation—the opportunity to manage and protect growing wealth, and an obligation to help women at risk. In light of this paradox, one could readily come to the conclusion that there is an enormous and even urgent need for qualified, trustworthy financial consultants to advise American women. There is. Consider these findings from recent research:

- One in three women is eager to strengthen her financial planning skills but does not know where to begin.<sup>83</sup>
- One half of women prefer to learn about financial products through financial consultants.<sup>84</sup>
- More than two in three women (64 percent) feel more knowledgeable about money because they are working with a financial professional.<sup>85</sup>

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80. Social Security Bulletin, “Life-Cycle Aspects of Poverty among Older Women,” 1997.

81. Business and Professional Women’s Foundation, “101 Facts on the Status of Working Women,” October 2004.

82. Employee Benefit Research Institute, “2009 Retirement Confidence Survey.”

83. Allianz, “Allianz: Women, Money & Power Study,” 2008.

84. Ibid.

85. Oppenheimer Funds, “Women & Investing,” 2006.

If only women had more faith, confidence, and trust in financial professionals. Research shows that the majority of American women simply do not trust financial advisors and insurance agents. In State Farm's 2008 "Musts of Trust" survey,<sup>86</sup> less than half (44 percent) of the women surveyed said they trusted insurance agents. For financial advisors and stock brokers, the results were even worse, with only one in three (36 percent) women indicating trust in these professionals.<sup>87</sup> These findings are all the more unsettling when compared to trust levels for medical doctors, in which 79 percent of women said they trusted physicians.<sup>88</sup> In the same research, three in four women (75 percent) admitted to being skeptical and distrustful when first meeting with a financial consultant.<sup>89</sup>

Thus, the *second paradox* is the great need many women have for the assistance of a qualified, capable financial professional, and also the unfortunate suspicion of them that many share. Without a foundation of trust, how effective can financial consultants be when seeking to succeed in the women's market?

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## MATTERS OF TRUST

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Industry and academic studies consistently affirm that the most desired quality in a financial consultant is his or her integrity. Being both trusted and trustworthy is the nexus of guiding principles for the best financial professionals. While this book is intended to help build the financial consultant's understanding, skills, and expertise for working more effectively with female prospects and clients, bear in mind that all people deserve nothing less than the utmost in trustworthy advice and service.

"Trust is the highest form of human motivation. It brings out the very best in people. But it takes time and patience, and it doesn't preclude the necessity to train and develop people so that their competency can rise to the level of that trust."

Stephen Covey

### **Schemes, Scandals and Greed in the Marketplace**

The environment that financial professionals operate in today is a demanding one to say the least, when it comes to establishing trust with prospects—female or male. Within the financial services industry and in various media, there has been a great deal of buzz lately about the trustworthiness of financial professionals. Almost daily, there is increasing scrutiny by regulators,

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86. State Farm "The Musts of Trust" Women Consumer Survey, Kelton Research, Golan-Harris, Newsworthy Analysis published May 2008

87. Ibid.

88. Ibid.

89. Ibid.

as the media exposes the unsavory and abusive business practices of the industry's "bad apples." Breaches of trust, caused by astonishing greed and lack of scruples, paint the financial services industry—and every industry professional—with a broad brush stroke of public disdain.

Since the beginning of the global economic crisis, approximately 40 percent of the public said their trust in the financial services industry had weakened.<sup>90</sup> In the same research study, respondents described financial institutions as greedy (32 percent), impersonal (26 percent) and opportunistic. Only slightly more than 10 percent said that these institutions were honest and trustworthy. Two-thirds said they did not believe the financial services industry would help them regain the wealth they lost during the economic downturn.

Equally, if not more concerning, are the findings from a 2008/2009 CNN opinion poll, in which 74 percent of Americans said they believed that the behavior of Bernard Madoff, arguably the biggest swindler of all time, is common among financial consultants and institutions.<sup>91</sup>

As a result of the highly visible and egregious breaches of public trust, increased regulation imposed on financial services companies and their affiliates is virtually guaranteed. There is movement towards significant regulatory overhaul, including controversial new regulations and broader application of fiduciary standards. While details have yet to unfold, it is likely that sweeping regulatory changes will deeply affect both financial consultants and their clients for years to come.

"In the middle of difficulty lies opportunity."

Albert Einstein

### **What She Is Looking For**

In light of these troubling circumstances, what are contemporary American women looking for in a trustworthy financial consultant? How can professionals position themselves better to overcome trust barriers and inspire increased confidence among female prospects and clients? In the discussion that follows, we look at builders of trust. More important, we examine specific qualities and behavior that women seek in their financial consultants, as well as the ethical and professional standards to which financial consultants should adhere.

The 2008 State Farm "Musts of Trust" research looked at trust relationships across five service industries (lawyers, real estate agents, doctors, financial advisors and insurance agents). The following chart outlines the top five qualities the survey found to be the most sought after in service providers from three professions: (1) medical doctors, (2) financial advisors and (3) insurance agents by rank order (most important is number one).

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90. "Consumers Have Little Trust in Financial Services Companies," Insurance Insider News, January 28, 2009.

91. Journal of Financial Planning, March 2009.

| <b>Women's "Musts of Trust" for Service Providers</b>                     |                           |                           |                         |
|---|---------------------------|---------------------------|-------------------------|
|   | <b>Medical Doctors</b>    | <b>Financial Advisors</b> | <b>Insurance Agents</b> |
| <b>1</b>  | Friendly and Warm         | Comes Recommended         | Composed and Confident  |
| <b>2</b>  | Impressive Qualifications | Honesty                   | Honesty                 |
| <b>3</b>  | Honesty                   | Highly Knowledgeable      | Clear Explanations      |
| <b>4</b>  | Clear Explanations        | Customized Approach       | Solve Problems Quickly  |
| <b>5</b>  | Takes Responsibility      | Knows My Name             | Comes Recommended       |
| Source: State Farm "The Musts of Trust" Survey, Kelton Research, May 2008 |                           |                           |                         |

The survey results support the hypothesis that the building blocks of trust differ greatly depending on the service provided. These research findings also reveal that a trusting relationship is the sum of many parts, and that not all parts are created equal.<sup>92</sup> We explore the key components of building trust in the section below.

### **Building Trust as Her Financial Consultant**

It is important for financial consultants to recognize that while the reputation of the company, or the products they represent, reinforce prospect/client confidence, the actions and capabilities of the individual financial professional take center stage when it comes to earning trust. Approximately 80 percent of Americans say that the behavior of their consultant is more important than the company he or she represents.<sup>93</sup>

What behaviors can financial consultants adopt to inspire the increased confidence and faith placed in them by female prospects and clients? Trusted financial professionals must:

- comply with state and federal regulations on the sale of insurance and investment products, as well as fee-based advisory services if applicable
- adhere to principles of professionalism along with codes/canons of ethical conduct
- demonstrate behavior consistent with expectations of integrity, competence and commitment to the client's best interests
- apply ethical and professional behaviors throughout the client-consultant relationship and the process of delivering high quality financial advice

92. State Farm "The Musts of Trust" Women Consumer Survey, Kelton Research, Golan-Harris, Newsworthy Analysis published May 2008.

93. State Farm "Musts of Trust" Survey, Kelton Research, August 2008.

**Compliance**

compliance

Compliance means following the laws, regulations and company policies that apply to the placement of all financial products and services. Meeting compliance requirements is a *bare minimum standard* and a necessary first step in professional conduct. Beyond fulfilling the responsibilities required by regulators, legislation or compliance officers/departments, financial consultants must also act ethically and professionally.

**Ethics and Professionalism**

ethics  
professionalism

Generally, laws and regulations are encoded ethics. Ethical conduct and professionalism demand more than mere compliance with company policies, laws and regulations for the sake of avoiding punishment. Being ethical and being professional go hand-in-hand; both are about doing the right thing.

There are many codes of ethics in the financial services industry, some are relatively simple, and others are far more complex. Almost every major industry organization has its own standards. For those who hold advanced designations, there are yet more principles to which professionals must adhere. For the most part, these codes bear striking resemblance to each other. As perspective, The American College Code of Ethics, including the Professional Pledge and Canons follows.

| <b>The American College Code of Ethics</b>  |   |
|---|---|
| <b><i>The Professional Pledge and the Canons</i></b>  |   |
| <b>The Pledge to which all Huebner School designees subscribe is as follows:</b>  |   |
| In all my professional relationships, I pledge myself to the following rule of ethical conduct: I shall, in light of all conditions surrounding those I serve, which I shall make every conscientious effort to ascertain and understand, render that service, which, in the same circumstances, I would apply to myself. |   |
| <b>The eight Canons are:</b>  |   |
| I.  | Conduct yourself at all times with honor and dignity.   |
| II.   | Avoid practices that would bring dishonor upon your profession or The American College.   |
| III.  | Publicize your achievement in ways that enhance the integrity of your profession.   |
| IV.   | Continue your studies throughout your working life so as to maintain a high level of professional competence.                                   |
| V.  | Do your utmost to attain a distinguished record of professional service.  |
| VI.   | Support the established institutions and organizations concerned with the integrity of your profession.   |
| VII.  | Participate in building your profession by encouraging and providing appropriate assistance to qualified persons pursuing professional studies. |
| VIII.   | Comply with all laws and regulations, particularly as they relate to professional and business activities.                                      |

Professionalism also encompasses specific behavior, including demonstrating respect for all clients and prospects, protecting client confidentiality, providing transparency and disclosure, building competencies, and following a specific process in meeting client needs.

***Behavior*****behavior**

In addition to behaving with fairness, objectivity, honesty, and integrity, financial consultants must also treat male and female clients with equal respect. It is an unfortunate reality, documented by industry research, that many women feel disrespected, misunderstood, and overlooked by some financial service and product providers. These disconnects may be partly responsible for why many women hold the financial services industry in such low regard. According to a 2008 survey of over 12,000 females, the Boston Consulting Group found that, out of 34 industries, financial services was ranked as the industry least in tune with how women want to be treated.<sup>94</sup> In a recent article in the Harvard Business Review, survey authors, Michael Silverstein and Kate Sayre, describe scathing comments by women about providers of financial goods and services including “lack of respect and poor advice.”<sup>95</sup> Among the verbatim quotes from respondents: “Financial service reps talk down to women as if we cannot understand more than just the basics.” Clearly, demonstrating respect for female prospects and clients is a critical element to inspiring their trust.

Key elements of respectful behavior that women seek can be inferred from recent research:

- seventy percent of affluent women focus on the financial consultant’s ability to listen well<sup>96</sup>
- having a financial advisor who “knows my name” is ranked among the top five trust building attributes sought out by women<sup>97</sup>
- ninety two percent of wealthy women say that if personal and professional chemistry is not there with a prospective financial consultant, “it’s a true deal breaker”<sup>98</sup>

Since one’s behavior is so critical to building a high trust relationship with female clients, in Chapter 3 we examine how to develop more effective skills in greater detail.

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94. Michael J. Silverstein and Kate Sayre, *The Female Economy*, Harvard Business Review, September 2009.

95. *Ibid.*

96. John J. Bowen, Jr., *Women of Wealth: Many Affluent Women Have Earned—Not Inherited Their Wealth*, Financial Planning Magazine, New York, November 1, 2006.

97. State Farm “Musts of Trust” Survey, Kelton Research, August 2008.

98. John J. Bowen, Jr., *Women of Wealth: Many Affluent Women Have Earned—Not Inherited Their Wealth*, Financial Planning Magazine, New York, November 1, 2006.

**Confidentiality**

confidentiality

All prospects and clients are entitled to a high level of confidentiality regarding the personal information they give to their consultants. Financial professionals are not only expected, but also required by laws and regulations to keep information private and not share it with others without advance approval from the prospect or client. In the initial interview, it can be helpful to say something like: *“Protecting your privacy is of the utmost importance to me. Our discussions and your sensitive information are always confidential.”* (Note: The author has used, and prospects seem to enjoy, the phrase: *“While you can talk about me as much as you want, I’ll never talk about you.”*)

**Transparency and Disclosure**

disclosure

Financial professionals must also present enough information to enable the client to make an informed decision. Disclosure should include how one is paid (commissions and/or fees), along with all expenses and costs of products and services. Some consultants are squeamish about revealing this information. However, being up front with prospects and clients from the very start frequently removes one of the biggest sources of distrust. Here is a best practice approach to disclosing how one is paid:

| <b>Disclosure—How You Are Paid</b>   |
|--|
| <p><i>“Many people are curious about how I’m paid. This should never be a secret, so I’d like to tell you right up front.</i></p> <p><i>(Company) does not pay me a salary and does not pay for my overhead. I am paid and I pay my staff/office expenses through commission(s) on insurance/investment products placed through (Company) and our affiliates. (My staff and) I work very hard to earn and continue to deserve your trust.</i></p> <p><i>(If appropriate) I am also compensated through fees for some financial planning and wealth management services you might choose.</i></p> <p><i>At all times, we will discuss any expenses associated with a product or service before we do anything together. Nothing should ever come as a surprise to you.</i></p> <p><i>Any costs, along with product and service benefits, must be clear to you so that you can make informed financial decisions.</i></p> <p><i>The last and perhaps best way that I’m paid is through referrals or recommendations to others when you are satisfied with my services and the value I provide. Your recommendations affirm that I am worth every penny you pay me.</i></p> <p><i>Are you comfortable with this approach to doing business together?”</i></p> |

The great majority of prospects and clients both recognize the need for and want to pay for valuable services rendered by professionals. Disclosing compensation practices at the onset of a relationship not only builds trust, but also helps consultants avoid misspent time and resources. It is far better to find out early that a prospect does not value the professional's expertise before committing to work for which there may be no compensation.

### *Competency*

#### competency

Professionalism also means building and maintaining high levels of expertise, skills, and competence. The rigorous education that medical doctors undertake in order to practice is well understood by patients. Compare the relative uniformity of medical education to the financial industry's bewildering array. Financial consultants must choose, and the public, media and consumers must discern, from among a multitude of credentials. The American College recently identified more than 267 different financial service designations. Some require just a few hours of training; others take hundreds of hours of rigorous study and examinations. This "alphabet soup" of designations is not only confusing, but it also seriously compromises public faith and confidence in the competence of financial professionals.

Regardless of which credentials a financial consultant pursues, he or she must be fully aware of the legal and tax ramifications of recommendations made to the client. In addition, one must be able to outline the positive and negative implications of the various investment and insurance options available so that prospects and clients can make informed financial decisions. This means having a thorough understanding of legislative and economic environments, products and services represented; as well as the unique situations/challenges of the client.

The depth and breadth of expertise required can challenge even the most seasoned financial professional. That said, women expect their consultant to be highly knowledgeable and to educate them on financial concepts. The more affluent the client is, the more expertise she will expect. To illustrate, according to research by Oppenheimer Funds, 90 percent of wealthy female investors have the expectation that their consultant will fully explain financial concepts, as well as advise them on financial decision making.<sup>99</sup>

For those who take up the challenge of continually increasing their competencies, the rewards are well worth the effort: more business, more referrals, less client turnover, and more personal fulfillment. The promise of quality advice is important to women, and they will refer a knowledgeable, trustworthy financial services professional twice as often as men will.<sup>100</sup> Further, industry studies have consistently shown that income and revenue generation increase substantially as the consultant progresses his or her advanced education. Taken together, these factors can yield a more important

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99. Oppenheimer Funds Survey, 2006.

100. Susan Sweetser, Real Opportunity, MDRT, 2007. May/June.

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dividend—improved quality of life for the financial consultant and his or her family.

“Far and away the best prize that life offers is the chance to work hard at work worth doing.”

Theodore Roosevelt

How do financial consultants apply their ethics, professionalism and competencies in a series of behaviors that continually earn the client’s trust and make her a client for life? Beyond professionalism and ethics, the *process* followed when working with female clients is key.

### **The Consultative Planning Process**

#### **Consultative Planning Process**

Perhaps it is no accident that women place highest trust in their medical doctors. Almost eight in ten women trust physicians, more than twice the rate for financial consultants and insurance agents.<sup>101</sup> Beyond the Hippocratic Oath (which essentially begins with “First, do no harm”), and well acknowledged educational requirements, what else can the medical profession teach us about creating and maintaining trust with our female prospects and clients?

#### ***Diagnosing Before Prescribing***

In order to prescribe a course of action, physicians must first diagnose or assess the patient’s physical condition. This standard practice may seem overly obvious; however, since ours is an industry with more than its fair share of malpractice, regulatory oversight, and slanted media, perhaps a simple standard that has worked in the medical profession for thousands of years is worth considering.

A doctor’s assessment includes a thorough fact-finding of medical and family histories, along with an exploration of the client’s health issues and symptoms. The diagnostic process begins with careful inquiry and should result in an understanding of the patient’s ailments. By contrast, many women feel this deliberate process of discovery is often overlooked or incomplete when they are working with financial professionals. How else could nearly nine in ten (84 percent) women investors surveyed by Yankelovich, say that their financial advisor did not understand their investment objectives?<sup>102</sup> These diagnostic and relationship-building gaps seriously compromise a trust relationship from the very start.

The consultative planning process is also about putting the identification and achievement of her objectives before the placement of product and services. It includes a deliberate and well-thought-out examination of her

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101. State Farm “Musts of Trust” Survey, Kelton Research, August 2008.

102. Yankelovich Monitor.

financial opportunities and challenges prior to coming to conclusions about the appropriate financial vehicle to address them. Explaining the process one has for helping the client achieve her goals and address financial risks demonstrates diligence and professionalism. Further, it is a key element to winning trust and business. As evidence of this, 75 percent of affluent female prospects say they want to know what the prospective consultant's approach is to planning before hiring that individual.<sup>103</sup>

"The amateur salesperson sells products; the professional sells solutions to needs and problems."

Stephen Covey

### *The Benefits of Consultative Planning Process to Financial Consultants*

As we explore the objectives and steps of the consultative planning process, it is helpful to keep in mind its substantial benefits to financial consultants. Industry research has consistently demonstrated that when financial professionals adopt a planning approach, they generate more revenue per client. For example, this chart from a recent LIMRA study illustrates significantly higher product ownership across virtually all product groups when a written plan is in place.

| <b>Product Ownership and Having a Formal Written Plan</b>   |                               |                            |                                     |
|---|-------------------------------|----------------------------|-------------------------------------|
|   | <b>Ownership Without Plan</b> | <b>Ownership With Plan</b> | <b>Ownership Increase With Plan</b> |
| <b>IRAs</b>   | 60%                           | 69%                        | 15%                                 |
| <b>Individual Life Insurance</b>  | 55%                           | 63%                        | 15%                                 |
| <b>Mutual Funds</b>   | 52%                           | 69%                        | 33%                                 |
| <b>Stocks</b>   | 47%                           | 59%                        | 26%                                 |
| <b>Money Market Mutual Funds</b>  | 42%                           | 57%                        | 36%                                 |
| <b>Deferred Annuities</b>   | 24%                           | 34%                        | 42%                                 |
| <b>Medicare Supplement</b>  | 25%                           | 33%                        | 32%                                 |
| <b>Long Term Care Insurance</b>   | 19%                           | 29%                        | 53%                                 |
| <b>Immediate Annuities</b>  | 5%                            | 12%                        | 140%                                |
| Source: LIMRA, Advisor Impact on Retirement: Opportunity Is Knocking, 2007, (2006 survey of 3,393 pre-retirees and retirees with >\$50k investable assets.) |                               |                            |                                     |

103. John J. Bowen, Jr., Women Have Earned—Not Inherited Their Wealth, Financial Planning Magazine, November 1, 2006.

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This classic “win-win” situation means much higher rates of implementation and cross sell, translating to greater security for female clients and higher income for the financial professional. By implementing a well thought out consultative planning approach, along with a deep understanding of the issues, financial consultants align professionalism, ethics and competencies with behavior. The process encourages confidence and inspires trust on behalf of female clients, and in doing so, increases the consultant’s earnings.

### ***What Is the Consultative Planning Process?***

The consultative planning process described in this book is a broadly used approach. As we shall see in Chapter 3, while there are minor variations between financial planning, risk management planning and consultative planning, all possess essentially the same process steps:

- identify the goal (or in some cases, risk exposure)
- gather information on current state
- analyze gap between current and desired state
- develop strategies and tactics to address gap
- implement strategies and tactics
- monitor strategic and tactical effectiveness

When processes are both consistent with client expectations and operate smoothly, both client satisfaction and profitability increase. Many financial consultants are pulled in so many different directions that they may not pay attention to how process efficiencies also improve their net profitability.

Having an appreciation for and grasp of process can enormously benefit financial professionals, in consultative planning and in how they run their businesses. Here is a useful definition of process and its role in driving client satisfaction:

#### **What Is a Process?**

Almost everything companies do involves a process. A process is any activity or group of activities that takes an input, adds value to it, and provides an output to an internal or external customer.

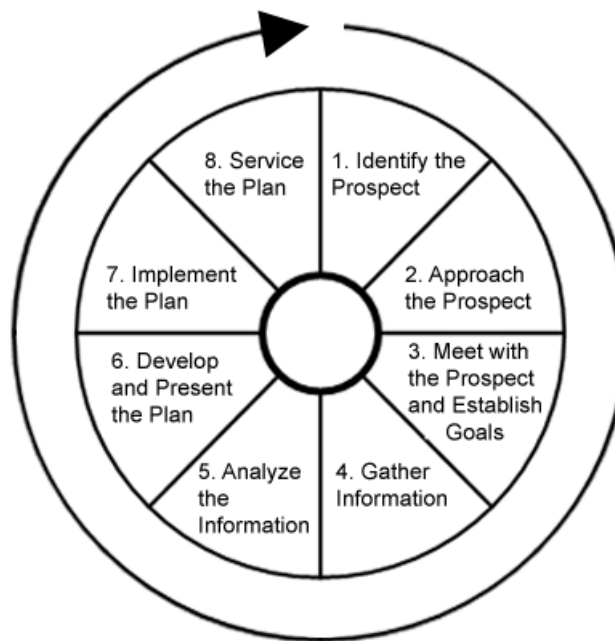
Companies, regardless of their size, utilize thousands of processes every day to create their products and services.

The profitability of banks, insurance companies, brokerage firms, and the like [e.g., financial professionals] depends primarily on the

quality of their process...companies profit only when the quality of their process meets or exceeds their customers' expectations.<sup>104</sup>

It is important to recognize that consultative planning is a “process within a process.” The bigger process picture relates to the total prospect/client experience, beginning with marketing. Clients start out as prospects. Steps one and two, depicted below, represent marketing activities that generate prospects and move them toward a consultative, client-focused relationship. Steps three through eight are the consultative planning elements of the process. Here is a high level diagram of the fully integrated marketing/planning process:

### The Marketing/Planning Process



The diagram illustrates the integrated marketing/planning process as a continuous circle, reflective of the continuous working relationship with prospects and clients to help them achieve goals and manage risks.

Since it can be helpful to not only visualize what the steps are, but also what one hopes to accomplish along the way, the following chart depicts a “rolled out” illustration of the marketing/planning process, along with the specific objectives associated with each step.

104. Mikel Harr, PhD and Richard Schoeder, *The Breakthrough Management Strategy*, New York, NY: Doubleday, 2005, 12.

| The Marketing/Planning Process |  |  |  |   |   |   |  |  |
|--------------------------------|--|--|--|---|---|---|--|--|
|                                | Identify the Prospect  | Approach the Prospect  | Meet with the Prospect and Establish Goals   | Gather Information  | Analyze the Information   | Develop and Present the Plan  | Implement the Plan   | Service the Plan   |
| Objective                      | <ul style="list-style-type: none"> <li>• Build awareness among female niche market members.</li> <li>• Generate high potential leads.</li> </ul> | <ul style="list-style-type: none"> <li>• Begin the trust relationship.</li> <li>• Prospect sees the benefit of meeting you.</li> </ul> | <ul style="list-style-type: none"> <li>• Reinforce trust.</li> <li>• Transform the relationship from prospect to client.</li> <li>• Disclose compensation, referrals and mutual expectations.</li> <li>• Client sees benefit of working with you.</li> </ul> | <ul style="list-style-type: none"> <li>• Fulfill ethical and suitability requirements.</li> <li>• Begin thinking through possible options, pros/cons to meet clients' best interest.</li> </ul> | <ul style="list-style-type: none"> <li>• Determine and quantify magnitudes of risk, goal funding gaps.</li> <li>• Identify strategic and tactical alternatives for risk and investment management.</li> </ul> | <ul style="list-style-type: none"> <li>• Reinforce trust.</li> <li>• Review and educate client on both strategic and tactical options.</li> <li>• Gain commitment to action and mutual accountabilities.</li> </ul> | <ul style="list-style-type: none"> <li>• Reinforce trust.</li> <li>• Take action to manage risks and achieve goals.</li> </ul> | <ul style="list-style-type: none"> <li>• Reinforce trust.</li> <li>• Adjust plan/actions as indicated.</li> <li>• Increase client satisfaction, commitment, and loyalty.</li> <li>• Build cross-sell opportunities.</li> </ul> |

In coming chapters, we explore the details of the marketing/planning process and how financial consultants can improve their effectiveness in each step when working with female prospects and clients.

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## CHAPTER SUMMARY

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The women’s market is a paradox, presenting both opportunities and challenges for female clients and their trusted financial consultants. The future is bright, but also fraught with risk for many women. As such, there is an unprecedented need for trustworthy financial professionals.

For financial consultants, there is limitless marketing and business potential for those who demonstrate integrity and competent behavior through a consistent client-focused approach. In the chapters that follow, we examine how to create and implement successful marketing plans that generate high quality female prospects. Our exploration also covers how to improve consulting skills that enable more effective working relationships with female clients; which, in turn, generates more revenue for the consultant. Last, we explore the importance of extraordinary client service along with industry best practices for financial consultants to implement.

In Chapter 2, we extend our discussion of the marketing aspect of the client experience, including how to:

- identify female prospects aligned with the consultant’s skills, interests, and expertise
- build a value proposition and messages that appeal to a chosen target audience
- create and implement a media plan to build awareness among a chosen target audience

- generate prospect leads among individuals who are most likely to become clients
- build and sustain an effective marketing activity plan

Chapter 3 explores in detail the consultative planning process and its benefits for female clients in particular. We also study the key elements of effective communication and behavior when working with female prospects and clients. In other words, treating them the way they want to be treated in order to build strong and effective relationships. We conclude our discussion of the marketing/planning process in Chapter 8, which addresses how to monitor their progress toward meeting goals protection needs, while providing excellent service.

In the middle sections of the book, we look at women, their risks, challenges and opportunities associated with the six areas of financial planning:

- financial position
- taxes
- protection planning
- investing
- retirement
- estates and legacy

| <b>An Ant's Life</b>   |
|--|
| <p>“Proverbs 6:6-8 talks about the ant, “which having no chief, overseer, or ruler, provides her food in the summer and gathers her supplies in the harvest.” You need to be like the ant. You need to be a person who is self-motivated and self-disciplined; who does what is right because it is right, not because someone may be looking or because someone is making you do it.”</p> |
| <p>Source: Meyer, Joyce, <i>Ending Your Day Right</i>, Copyright © 2004 by Joyce Meyer, Time Warner Book Group</p>   |

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## CHAPTER 1 RESOURCES

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- Courses from The American College
  - CE 126 Ethics for Certified Financial Planner Designees
  - FA 290 Ethics for the Financial Service Professional
  - GS 831 Ethics and Human Values
  - FA 262 Foundations of Financial Planning—An Overview

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- HS 300 Financial Planning—Process and Environment