Women and Wealth: The Disconnect

Opinion Snapshot

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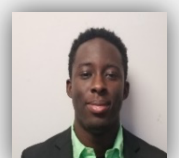

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"By 2020, American women are expected to control much of the $30 trillion in financial assets that baby boomers will possess – a potential wealth transfer of such magnitude that it approaches the annual GDP of the United States."

There is a large disconnect between the increasing amount of private wealth women control and the resources allocated by the financial services industry to help them achieve their financial goals. This "Disconnect" represents one of the largest economic shifts in decades. PIMCO has called women the new "emerging market," and this is evident as women now control 51% of the private wealth in the United States, an estimated $22 trillion.[1] However, only 24% of women said they were comfortable with their knowledge of investing, and "92% of women want to learn more about financial planning. And, to address this demand for knowledge, only 15% of the U.S. financial advisors are women."[2]

McKinsey & Company published an article in July 2020 which thoroughly analyzes the rise in importance of women in wealth management and estimates that as much as $11 trillion in assets will transfer from men to women by 2030.[3] Financial institutions clearly have the opportunity to access tremendous growth from this transfer, but the growth will only occur if firms become more gender diverse. Female clients want financial advisors that look like them and firms that understand them. A woman is less likely to invest her money in a firm that is run by 85% males, as she would feel more comfortable in an environment where closer to half of the firm is led by women.[4]

Yet, it is hard for firms to recruit women into the financial services industry, and a foundational issue could be the lack of women studying economics, finance, and related subjects in college. Currently, the national average of female economics majors sits at 33%.[5] Likewise, only 33% of economics PhD students are women, and female tenured professors comprise only 14% of economics departments across the country.[6]

Sapere Aude Consortium, LLC was formed in July 2020 to serve college students interested in financial services, and whose internships were negatively impacted by COVID. The three founders' goal was to provide a forum for students to research and learn about critical issues impacting the wealth and investment management industries. The authors listed above were asked to express their own ideas in this Opinion Snapshot, whether or not the founders or other industry professionals agreed with their opinions or proposals. This Opinion Snapshot is offered in that spirit – to hear the views of some of the next generation of professionals to enter the wealth and investment industries. Neither Sapere Aude Consortium, the founders, nor any of the authors received any financial support from any firm or person with any interest, financial or otherwise, in this article. Neither the founders, nor the authors are currently affiliated with any organization mentioned in this article.

Women have begun to take matters into their own hands, creating RIAs and other wealth management firms, as well as venture capital and fintech firms, to directly address women's financial needs. Not only have these firms disrupted the norm and placed pressure on larger firms, but they also have found success. In 2015, women-owned advisory firms (defined as firms where women make up at least 50% of the partners), outperformed their peers in both profitability (29% operating margin versus 22.7% for all other firms) and revenue growth (8.6% versus 6.7% for all others).[7]

We are also seeing women take the initiative in addressing the Disconnect in investment management. Girls Who Invest is a non-profit whose stated goal is "30 by 30" - to have 30% of the world's investable capital managed by women by 2030.[8] The organization recognizes the urgent need to address how far behind U.S. investment managers are compared with other professions, with women representing only 10% of mutual fund portfolio managers, and 6% of U.S. chief investment officers (compared with 33% of doctors and 35% of lawyers in the U.S.).[9] They are seeking to transform investment management by engaging women college students through summer and online intensive programs that include education, mentoring and internships, as well as by providing a supportive community. Over 800 students from U.S. universities and colleges have participated since 2016.[10]

In this paper, we discuss the Disconnect, as well as actions that organizations and women entrepreneurs are taking to address it. We propose solutions and recommend that organizations implement a series of changes to better support and recruit more females into the industry.

Recommendations:

1. ***Colleges must increase the number of women studying and teaching Economics and Finance.***
    - *Offer more introductory classes which appeal specifically to women.*
    - *Create female mentorship programs.*
    - *Create programs to encourage the tenure of more female economics professors.*
2. ***Double down on efforts to recruit and retain more women financial advisors.***
    - *Change the way financial advisors are recruited – on teams and focused on holistic life planning.*
    - *Change the culture by creating training programs that support women's careers.*
3. ***Fund women entrepreneurs who will continue to drive the disruption of the market.***
    - *Leverage technology, which is making the market more open to female entrepreneurs.*
    - *Analyze and promote the success of disruptive firms created "for women, by women."*
    - *Leading wealth firms should model their own practices after these disrupters.*
4. ***Investment firms must act urgently to address this "emerging market" as a growth opportunity.***
    - *Recruit and hire more women as Portfolio Managers, Analysts, and other Investment Professionals.*
    - *Firms must change their cultures from the inside to allow women to be their true selves.*
    - *Create products and dedicate marketing resources to address the unique needs of women investors.*

Expanding Opportunities to Women in Higher Education

We begin with a foundational issue – the small percentage of women undergraduates who are economics and finance majors, and the corresponding issue of the lack of tenured women professors in these subjects. Although there is certainly no rule that only economics and finance majors can become financial advisors or portfolio managers, it is intuitive that these majors are the pool that investment and wealth management firms draw from to fill their entry level positions. So, this is where we decided to start – Economics 101.

Offer More Introductory Classes Which Appeal to Women

Most colleges and universities offer only introductory economic courses which focus on microeconomics and macroeconomics, while offering more specialized seminars to upperclassmen.[11] The introductory courses are heavily math based, largely taught by male professors, and appear to appeal more to men than to women.[12] Moreover, female college students typically care more about social issues such as education, labor, and health. So, from the beginning of college, many females become dissuaded from pursuing a degree in economics or finance.

We propose that universities offer introductory economics classes which address issues which women have shown greater interest in, essentially offering introductory seminars to underclassmen. Many women have the misconception that economics purely focuses on math and statistics, so some universities, including Harvard, have begun to offer introductory classes on such topics as development economics and gender equality in developing countries.[13]

At Harvard, students requested that the economics department diversify its courses specifically to appeal to women.[14] If more schools follow their lead, more women will take economics classes, become economics majors, and are more likely to enter the financial services industry.

Create Mentorship Programs for Women

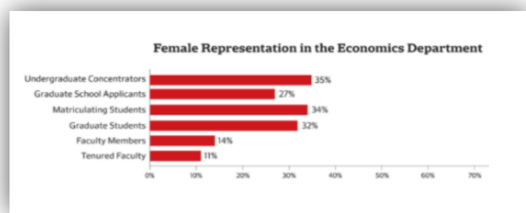
Women are often intimidated when deciding whether to major in either economics or finance because these fields are typically dominated by men.[15] Many females believe that they cannot have meaningful careers in finance or economics starting in college due to the lack of female role models available to students in comparison to other departments.[16] The finance industry in particular suffers from a severe image problem where only men have been portrayed as successful.[17] Colleges need to flip this depiction to show that women can have meaningful and successful careers in finance. We believe mentorship programs designed for women are a great solution to this issue.

Duke University has recently taken such initiative by launching the Dzialga Women in Finance Initiative in 2018, a mentorship program beginning freshman year where female economics students can be paired with professionals from across the industry to help them with school and career development.[18] Mentorship can help female economics student feel less isolated and learn important technical skills.

Dartmouth College started its Women in Business program, which pairs female underclassmen with upperclassmen mentors throughout their first two years of college.[19] The program serves as a great networking opportunity and helps students with school work and professional development.[20] Students at UC Berkeley launched the Berkeley Economists for Equity program to create more opportunities for women and students of color in the field.[21] The group offers a mentorship program for both undergraduate and graduate students to bring more women into the pipeline. This program has been widely successful as the ratio of female to male economics students has increased every year since the group's inception in 2010 and is well above the national average.[22] Establishing similar mentorship programs designed specifically for women represents a vital step other universities must initiate to make their economics departments more gender proportional.

Hire and Tenure More Women Professors

Increasing the number of female tenured professors serves as another crucial step in attracting more women into the finance industry because they act as important role models to undergraduates. Female undergraduate students tend to feel more comfortable with professors of the same gender and female professors also inspire more students to become economics majors.[23] Currently, only 12% of tenured economics professors at American universities are female.[24] This can partially be attributed to fewer women receiving PhDs in economics. As of 2019, only 33% of economics PhD students at American universities were women, which makes it difficult to increase the number of female economics professors.[25] Stanford recently implemented a program in an effort to resolve this problem, supporting third year economics PhD students by pairing them each with a mentor faculty advisor.[26] We encourage more such mentorship programs, even starting with juniors and senior in college, as they may attract more women to become PhD students, and more women to enter the economics teaching pipeline.



Economics Departments Lose Potential Female Professors in the Pipeline

Female economists also become dissuaded from entering academia because they believe that they will receive unequal opportunities compared to male professors. Only 25% of female economists feel valued in their department compared to 47% of men.[27] Men also have higher rates of receiving tenure compared to women,[28] as 60% of men received tenure at their original institution by their tenth year of teaching, compared to 33% of women.[29] Moreover, 80% of female assistant professors left their original institution before being granted tenure.[30] Economics departments need to change the tenure process as the current structure is clearly not supporting female economists. They should offer better maternity leave packages and encourage granting equal tenure to women, even if they take maternity leave. Through these adjustments, more women will desire to become economics professors and less will leave academia.

Several national programs have been established recently to support female economics professors, allowing them to receive better treatment and stay on tenure track. The CeMENT Workshop for Female Junior Economists, for instance, has implemented workshops throughout the country to support non-tenured female professors by offering mentorships with senior female economists to build their technical skills, network, and ultimately help more women receive tenure.[31] The program has been fairly successful, with participants gaining 10.7% probability of receiving tenure at their current institution.[32] The University of Michigan made several adjustments to support female professors by changing its tenure policy. The University recently announced that all professors must follow a strict tenure plan but offers extensions to female professors with young children.[33] While this plan will not shorten the amount of time female economic professors will receive tenure, it will help more women stay on tenure track. More universities need to take similar action as well as hire more professors to equalize the number of female and male economic professors.

As we now move on to discuss the Disconnect between women and wealth in the investment industry, we must not lose sight of the foundational issue at American colleges and universities. There are concrete steps that can be taken to encourage more women to engage in economics and finance early in their college careers, thereby leading to a greater pool of interested female students for these firms.

Why Are There Not More Women Financial Advisors?

The way that wealth is managed has changed in the last decade. New financial advisers are no longer as focused on immediately creating the largest client base possible using cold calling and other tactics to "build a book." Now those same employees are charged with a new task. They must build skills and strong, trusting relationships, pursue new markets and, most importantly, reflect their clients' needs in all facets of their practice. With this new philosophy in mind, one would think that firms would take into account that they have been missing a key component in their employee base. That component is more female financial advisors.

As we have addressed, the amount of private wealth controlled by women is estimated at 51% of all wealth, for a total of $22 trillion. That number will continue to grow over the next decade according to McKinsey.[34] So why do women still only make up 15% to 20% of those who manage and advise on that wealth? The number of female financial advisors should, from a business perspective, more closely reflect the amount of wealth that women control. As of now, wealth management firms are simply not making enough progress in making sure that their employees properly represent the makeup of their clients.

In addition to the current Disconnect between the amount of wealth controlled by women and the number of women who advise and manage this wealth, the wealth management industry will change drastically over the next decade. With the average age of a financial advisor being 52 and nearly one third of FAs expected to retire over the next decade, we find that nearly one fourth of those advisors planning to retire do not have a succession plan.[35] These statistics are alarming. Firms must change the way that they recruit and retain advisor talent to not only retain the assets that these advisors are managing, but better represent their future clientele. This represents a great opportunity for many firms to increase their push to recruit and retain more women FAs into their employee ranks. Wealth management is at a critical juncture, and firms must make a change in order to get more women into the wealth management workforce.

Recruiting has Changed in Scale and Focus So That FAs Model Their Clients

Wealth management firms realize that this shift starts at the highest levels when attracting under-represented groups and ensuring they feel comfortable coming to work for their respective companies. With so little female representation at the highest level of the largest financial firms for so many years,[36] the recruiting process has been slow. However, in recent years there has been a greater focus on bringing women into the financial services industry as a whole. RBC is a great example of a firm who recognizes the need for more women in their company. They have increased the number of female advisors in their firm by 23% and insist that this number will only continue to grow.[37]

We urge firms to continue to change the way that they look at recruiting to increase the number of women FAs. Firms should structure programs to hire more women and provide training to boost their careers to the highest possible level. The wealth management industry can be intimidating, especially in the eyes of those who do not have a role model or those who do not have much experience. With high barriers to entry into jobs and a pattern of legacy promotion, it is challenging to convince women to take on a career in wealth management.

Firms are starting to realize that they need to make a change of their own to address this issue. Morgan Stanley has taken the initiative to find a way to solve this problem. They have implemented the Women Early Insights Program, where they invite women into their firm to explore the culture, along with the potential career opportunities within the firm.[38] This program addresses many of the issues involved in the recruitment process when it comes to bringing in women financial advisors. They are able to gain knowledge in a comfortable environment, connect with successful female financial professionals, and see the wealth management field for what it is and will be: a career where you are able to assist people in making their dreams come true and provide financial security for their future.

This needs to become the baseline of how wealth management firms approach their recruitment process. They can no longer rely solely on legacy promotion and referrals, as firms must seek women whom they will need in the future marketplace. They must then create an environment where these women are comfortable, prepared and given the appropriate resources to build successful careers.

Firms Are Creating Programs and Networking Opportunities to Both Increase and Retain the Number of Female Employees and FAs

In addition to changing the way that financial firms recruit, they must also reevaluate how they treat their employees to make sure that they remain in the industry and lead a successful career. Many larger firms have designed programs that give women the ability to network throughout the industry in order to further build their careers.[39] Firms must continue to emphasize the importance of women in financial services to attract more women to the jobs that are currently available. This will ensure that the future numbers of those who control the wealth and those who manage and advise on that wealth will not be so disconnected.

Many industry leaders have acknowledged this Disconnect and are seeking ways to maintain and increase the number of female professionals that they employ. UBS has made strides in the way that they treat their employees so that they will be able to retain women financial advisors and employees. UBS has implemented their Career Comeback program which is “instrumental in increasing [their] pipeline of female senior leaders.” This program gives those who are seeking to return to their job after a career break the support they need. With specialized on-boarding programs, training and mentoring programs they have helped almost 150 professionals return to careers in financial services. This is a huge step for women who are looking for a career in finance, as many women take time off for their families but eventually want to return to their career. UBS has created an environment where this is not only possible but encouraged.

Morgan Stanley also recognizes the need to create a diverse pipeline of talent into their firm. The Full Time Branch Analyst Program is a highlight of their recruiting platform. Within this two-year, highly competitive program, participants are exposed to a rotation of four assignments in branch administration: Operations / Service, Risk / Compliance and Business Development.[40] All of which Morgan Stanley has deemed “crucial aspects of running a branch”.

This program creates an amazing opportunity for women in the wealth management field. With exposure to all aspects of the business along with an extensive networking space, Morgan Stanley has provided talented and driven women who are looking for entry into the wealth management practice unique exposure. This has landed them several accolades in the financial industry including women within Barrons’ Top 100 Financial Advisors, Forbes’ Top Women Wealth Advisors and Top Wealth Advisor Moms. This needs to become the baseline for the entire industry if we hope to address the disconnect that we are currently facing.

BlackRock is another firm that has a head start in bridging the Disconnect between women in financial services. They have started to shift their firm culture to be more diverse and gender inclusive through the addition of employee networks to support the “expectations and demands of the growing population.”[41] Particularly, BlackRock’s Women’s Leadership Forum (WLF), is a year-long program designed to fill the gaps that prevent women from advancing in the workplace. As Laurence Fink, CEO of BlackRock said when referring to WLF, “More than 50% of household wealth is managed by women. If I’m going to be a mirror of my clients, we are going to need more women.” WLF is a leadership development program for the firm’s senior women executives and “sets the tone for developing female talent throughout the organization.”[42] The leaders at BlackRock are deeply committed to ensuring that women at all levels succeed, as this program was created by the women of BlackRock for the women of BlackRock. Therefore, these women feel an “emotional ownership over developing other women.”[43] This is the sort of training and mentorship program that every firm should have, but it should be developed based on each individual firm’s needs. This network holds one another accountable to help younger women succeed, just as the women before them had done for them.

Women are Leading the Disruption

Many women have already connected the dots and have taken matters into their own hands to address the Disconnect. While this disruption has occurred across the board in the financial services industry, the most prominent area of growth is within the Registered Investment Advisor (RIA) channel of financial advisors.

This disruption of the gender-investment gap has been fueled by disruption in technology in the financial services industry. With the onset of companies like Robinhood, which allows customers to trade with no fee, larger RIA platforms such as Fidelity and Schwab have created their own $0 trading platforms.[44] In addition, companies such as RIA in a Box[45] have developed software in research, portfolio management, and recently, even back-office operations, that have lowered costs and saved time for these smaller firms.[46] Not only is this encouraging the development of more independent RIA firms, but it is also changing the roles of these firms.

RIAs have transitioned to focus on client relations and building long-term relationships. Philip Kessler, the founder and managing partner of SWS Partners, explains, "In many ways the tech revolution has forced advisors to show exactly what their value is: It's the subjective part, not the calculating."[47] Investors now look for traits in their advisors such as empathy, trust, and quality interactions.[48]

These traits are related to having a high emotional intelligence, in which women typically score higher than men.[49] Therefore, women are not only equally suited to be financial advisors, they may even be better-suited than their male counterparts.

Additionally, the Covid-19 pandemic has paved the way for more female-run RIA firms in the future. The pandemic has normalized the practice of working from home and allowed for seamless integration of remote employees. According to Oliver Wyman, "female executives in financial services are 20% to 30% more likely to leave mid-career than any other industry. Left unaddressed, these trends could result in a 3% decline in women leadership in financial services by 2025."[50] However, remote work could limit the amount of time women lose from the workforce after childbirth and allow for greater work-life balance, which may help retain women in the financial services industry.

Shannon Eusey, founder of Beacon Pointe Advisors, the largest female-led RIA, explained that the burden of child care on women, even as gender roles become less defined, has made it hard for women advisors to pursue their own careers.[51] "For women advisors, this levels the playing field," Eusey said.[52] With the current climate for growth in mind, we urge women in the financial field to maximize their own talents and careers and continue to disrupt the status quo by creating their own firms.

Encourage Women in Financial Services to Start Their Own Firms "For Women, By Women"

We must urge and support more female entrepreneurs to take strides in multiple aspects of the financial services industry, from venture capital to wealth management. Currently, among the most prominent of these firms is Ellevest, founded by Sallie Krawcheck, former CEO of wealth management at Merrill Lynch and Citi.[53] Ellevest was built "by women, for women"[54] and has focused on addressing the glaring gender-investment gap by creating women-centered products to best serve female clients.

The company's newest product, the Ellevest Money Membership, is a monthly investing and banking program. The membership creates a goal-based plan centered around the client rather than "chasing alpha" and "beating the market."[55] This follows best-practices for women as it has been proven that women are more outcome-oriented investors.[56] In addition, this membership addresses the lack of confidence that women have in their own investment knowledge.

Only 24% of women said they were comfortable with their knowledge of investing,[57] while "92% of women want to learn more about financial planning."[58] Ellevest's membership addresses this concern with workshops, courses, and guides for customers to learn at their own pace. In addition, "more than half of women said they would be willing to pay more for an advisor who provides a road map to achieve their goals or helps them stick to their financial plan."[59] Ellevest incorporated this into their approach and created regular check-ins by financial advisors and coaches to review a client's progress and make changes. Additionally, instead of overwhelming customers with paperwork and financial jargon, they streamlined their service into a simple, low-cost, online platform and encouraged members to "call us any time, with any question."

The company also tapped into the fact that "women are over 30% more willing to pay for an advisor who offers ESG investing strategies"[60] and have created Intentional Impact Portfolios. These portfolios have 13 focus areas such as workplace diversity, greenhouse gas emissions, human rights, etc. and screen out companies that do not meet their standards for social issues such as women's rights and racial justice.

Lastly, Ellevest's product is centered around women. Their algorithm factors in women's pay gaps, career breaks, longer lifespans, and more female-specific factors.[61]

However, Ellevest is not the only firm disrupting the male-dominated and male-oriented industry. Banks, FinTech, Venture Capital, RIA firms, and other sectors have also been shaken up by some high-heeled footsteps. Victress Capital has focused their efforts on closing the women-funding gap in venture capital by creating a $21.1M fund that only backs gender-diverse teams.[62] Also, Veris Wealth Partners has introduced a gender-lens investing approach where they "deliberately [incorporate] a gender analysis into financial analysis in order to get better outcomes."[63] Beacon Pointe Advisors, the aforementioned largest women-led RIA, is also a leader in this disruption. About half of the firm's employees are women and 65% of its leadership team are women. Beacon Pointe has a program called the Women's Advisory Institute (WAI) which helps female clients meet their long-term goals. The WAI hosts events to educate women on financial planning and has created plans to help women address large life transitions such as divorce or multi-generational wealth planning.[64] They have even created innovative events such as offering a girl scout badge to teach young girls how to budget and invest.[65] We recommend that other female professionals follow in their footsteps to accelerate progress in eliminating the gender-investment gap.

Leading Environment Firms Should Model Their Own Practices After Their Disrupters

In an emerging market, these smaller firms have already found success. In 2015, women-owned advisory firms (defined as firms where women make up at least 50% of the partners) outperformed their peers in both profitability (29% operating margin versus 22.7% for all other firms) and revenue growth (8.6% versus 6.7% for all others).[66] Similarly, each of the firms highlighted above have had success through their unique women-centered strategies. In six years, Ellevest already has more than 90,000 customers and $634 million in assets under management.[67] In 2018, Veris Wealth Partners' assets under their gender-lens investing approach grew from $100 million to $2.4 billion in just four years.[68] Lastly, Beacon Pointe Advisors "manages more than $10 billion in assets for more than 4,000 clients, with 16 offices in the U.S".[69]

These figures show that not only are women "the new emerging market" but that these female-designed and female-oriented products are also profitable. Sallie Krawcheck recently said, "If companies don't value us for who we are — we now have choices and power we didn't have just a handful of years ago."[70] These disrupter firms that are tackling the Disconnect are the future, and we urge larger firms to incorporate the ideas and practices of these smaller firms into their own.

Investment Firms Should View this "Emerging Market" as a Growth Opportunity

Investment firms need to advance more women into leadership positions. By increasing the diversity of leaders, we believe these firms will ultimately be more appealing and successful. To do so, firms must address the issues that are holding women back from joining the investment industry.

The lack of women leaders in investing is an issue that all firms should be concerned about, as each can benefit immensely from diversifying their organization.[71] An 11-year study by Calvert Impact Capital showed that companies with higher percentages of women in leadership and board positions outperform companies with the lowest percentages.[72] However, it is not true that all-women teams are superior to all-male teams, rather a combination of men and women working together tended to yield the best outcome in the long run.[73] Additionally, firms are more appealing to clients if their employee demographics align more closely with those of their target audience. In 2019, only 11% of U.S. fund managers were women, which was down from around 13.8% in 2000.[74] Merely 4% of portfolio managers are women, and only 1.5% of assets are under their control.[75]

A woman is less likely to invest her money in a firm that is run by 87% males, as she feels much more comfortable in an environment where closer to half of the firm is led by women.[76] Therefore, it is crucial that firms diversify their leadership before they miss out on a huge growth opportunity.

One of the major issues with retaining women in portfolio management positions is the culture that has existed within investment firms. This has most often been described as an inhospitable "old-boys club" culture where men in leadership positions favor and promote those who look the most like them due to implicit biases rather than performance-based analysis. There is no evidence that suggests that funds and portfolios managed by women perform worse than those led by men.[77] In fact, a Knight Foundation study on gender diversity concluded that there is no significant difference in fund performance between funds managed exclusively by women versus those led by men.[78] Based on a survey of 35 women investment managers, 75% reported that they felt that the decision makers within their firms were "at least somewhat biased" toward male managers, and not one woman felt that asset-gate keepers had any bias that favored women managers.[79]

Women are just as qualified as men in portfolio management positions and excel in many of the skills needed to succeed in investment management, such as strong interpersonal skills and ability to connect and empathize with others. However, a woman is less inclined to excel in careers where their male counterparts consistently undervalue her worth.

Change the Culture to Encourage Women to be Their True Selves

As firms recognize the lack of female representation in senior positions, they must begin to reanalyze their internal culture to encourage women to rise up to these roles, rather than deter them from thinking it is attainable in the male dominated industry. The best way to achieve this change throughout a company is by hiring women with "styles that are currently missing" into leadership positions.[80] Hiring teams should not only seek women who possess mostly typical "masculine gender style" to drive this change.[81] This is counterproductive as a diversity initiative because, although the team will create gender diversity, it will still lack the sought after characteristics that women possess, such as empathy and reliability that are stereotypically feminine.[82]

Women must be encouraged to embrace their femininity and add their views to the firm, rather than feeling they have to assimilate to the expectations of their male counterparts. For example, women and men typically have different communication styles. Men tend to be more direct and assertive, while women are typically more polite and tentative. Once women gain leadership positions, this mindset will trickle down to other areas of the business, as women are more likely to form relationships with their subordinates than are men. The few women who are currently in leadership positions need to recognize their power in addressing the issue of female inequality and under-representation. If they help women in other parts of the industry realize that they do not need to have male stereotypical attributes to succeed in financial services, more women will be inclined to pursue a career in the financial services industry and add the crucial diversity of thought that women bring to a firm.

Furthermore, the "boys club" mentality of the financial services industry must change. One head of talent acquisition at a major investment firm said that in the overall 2020 recruiting season diversity numbers were below quotas, despite diversity being a priority. The issue was that 30% of new hires were recruited outside of the process via the "old boys' network".[83] This reiterates the problem of men hiring and promoting other men due to implicit biases and connections. The hiring process needs to be better managed because of the implications it has on the industry as a whole as a white male dominated field.

Historically, men have not treated women well or fairly in the workplace. According to a study done by PwC, 43% of women said they have experienced inappropriate language, insults, or bullying; 36% have faced sexual innuendos or sexual harassment, and 28% have been the victim of physical harassment.[84] These numbers are significantly higher than in those surveyed from all other industries.[85] In another study, two thirds of women who said they had experienced sexual harassment in the office did not report it.[86]

These samples further reflect the "boys club" mentality, as men continue to misuse the power they have maintained within the financial services industry, and women remain reluctant and outnumbered to challenge the norms that exist in the industry.

Create Products and Dedicate Marketing Resources to Address Women Investors

Firms need to publicly welcome women into their platforms by showing they understand the unique and diverse needs of women employees and investors alike. Bank of America Merrill Lynch recognizes that women should not be "bucketed as one voice and body," and are adjusting their investment products accordingly.[87] Women tend to make more values-based decisions for themselves and for their families, so Merrill has begun to use these values as the driver of their client conversations to accommodate their women clientele.

A Merrill Lynch study shows that women are equally as confident as men in most financial tasks, such as paying bills (90%) and budgeting (84%).[88] However, when it comes to investing, their confidence drops significantly, as only about half of women say they are confident in managing investments. From this study, investment management is the largest gap between women and men in reporting whether they are confident in specific financial tasks.[89] The media often does not contribute to smart and open dialogue about money, lifelong financial planning, and investment questions and needs. For example, of 1,594 pages of editorial content in the March 2018 issues of the top 17 women's magazines, there were only five pages covering personal finance (less than 1%).[90]

Investments provide the opportunity for women to grow their wealth in ways that income alone does not, and 60% of women say that not having the knowledge to invest is their number one barrier.[91] Likewise, 87% of women say that basic financial management should be a standard part of their high school education.[92] The Merrill Lynch women's investment model recognizes that the financial industry must change to be part of the solution and encourage financial discussions, facilitate financial education and confidence, and ensure that everyone plays their part in achieving gender parity when investing in women.[93]

Conclusion

There is a Disconnect between the amount of wealth held privately by women and the scarce representation of women in financial advisory, portfolio management and leadership positions in wealth and investment management. This represents both a significant issue and growth opportunity which firms and institutions of higher education must address. Women will play an increasingly important role in deciding how to invest private wealth in America as they earn more, have less children and more wealth transfers into their hands as they outlive men. However, women remain widely underrepresented in financial services despite, as we have cited numerous times, controlling over 51% of private wealth in the United States (a statistic that is expected to rise in the coming years).[94] Financial services is notoriously among the least welcoming industries for women, and this needs to change.[95] Wealth and investment management firms have the opportunity to address the current Disconnect between women investors and women financial advisors, portfolio managers and leaders. The firms that can do this, we believe, will have a much greater chance for busines success over the next decade. Those who cannot do this, however, will be less profitable and, we believe, are destined to mediocrity, at best.

Two of us are young women investors, and we would not invest in firms that do not have a diverse leadership team and workforce, containing a substantial amount of both men and women. As was told to us by an industry leader during our research, addressing the Disconnect is just something that the industry has to get right.

Overall, we recommend a combination of adjustments for institutions of higher education, and wealth and investment firms, to educate both women and men on the issues that exist and the opportunity that will come from creating gender diversity within wealth and investment firms. These modifications will encourage more women to become wealth and investment managers and help close the Disconnect between women investors and the resources allocated to their promoting their financial security.

Author's Note

The topic of Women and Wealth is certainly multi-faceted. There has been much important work done on the gender wage gap from universities, thinks tanks and research organizations such as Harvard, Brookings and Pew. The importance of this work cannot be overstated in terms of basic fairness, as well as the practical issue of increasing the financial security of women. There are also numerous analyses, papers and articles on the unique impact on women of increasing longevity, and their ability to be financially secure in retirement. Although both of these issues (as well as many others) are critical, this paper is not about either. What it is about is a generational business opportunity for wealth and investment management firms. It is about the disconnect between the amount of wealth that women already control (and the increasing amount that they will control over the coming decade), and the human and other resources allocated to women investors by the industry. We felt it was important to acknowledge these other issues and express our support for the continuing work to create gender equity in the workplace and allow women the opportunity to create financial security for themselves and their families.

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