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How can Gen Z women prepare for acquiring and sustaining wealth, and how can wealth and asset managers assist them?

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Introduction:

The impending Great Wealth Transfer heralds an unprecedented economic transformation, reshaping wealth ownership in the United States. In a striking development, women are poised to inherit a substantial portion of the $30 trillion set to be passed down from baby boomers within the next decade.[1] This monumental shift is further emphasized by the projection that by 2030, American women will control $30 trillion in assets, a figure that remarkably surpasses the United States' national GDP.[2] The scale of this wealth transition becomes even more apparent when considering that two-thirds of the $11 trillion in baby boomer assets are expected to move from men to women.[3] This seismic economic shift not only signifies a closing of the gender wealth gap but also announces a new era of financial influence for women. Such a substantial transfer of wealth necessitates a comprehensive reevaluation of client portfolios across the financial industry. Wealth managers are compelled to strategically adapt their approaches to meet the growing demands and unique perspectives of an increasingly affluent female clientele.

This Opinion Snapshot focuses on a particularly dynamic and influential segment: Gen Z women. Born between the mid-1990s and mid-2010s, this cohort is distinguished by its diversity and longevity. Gen Z is the most racially and ethnically diverse generation in history, with approximately 48% of its members being nonwhite.[4] Additionally, this generation exhibits a strong emphasis on higher education, with 60% of Gen Z women attending post-secondary institutions, a rate higher than any previous generation of women. Given their life expectancy, which exceeds 100 years, the need for financial longevity preparation is paramount.

Our team aims to provide Wealth and Asset Management firms with insights and solutions tailored to address the needs of Gen Z women in growing and sustaining their wealth in this research. To do that, we evaluate the unique mindsets of Gen Z women regarding financial literacy, investing, and retirement planning. We examine the increasing confidence and perceptions of wealth among women across generations, noting how Gen Z women are delaying family planning for financial stability and success. By comparing the financial behaviors and challenges of women to men, we aim to identify the distinctive obstacles and opportunities faced by Gen Z women. This demographic, characterized by their technological savvy and high engagement on

social media platforms, expect digital experiences from financial providers. Our team explores the popularity, growth and potential threats of social media. We investigate why clients turn to social media for financial information and identify the top financial influencers or "Finfluencers" shaping their financial decisions. We also delve into the mixed attitudes of Gen Z women towards retirement, highlighting the urgent need for comprehensive retirement planning. We discuss the obstacles Gen Z women face in preparing for retirement, supported by data on retirement readiness and various scenarios. Given that Gen Z women are technologically adept, financially literate, and confident, this generation demands robust wealth management services tailored to their specific needs and expectations.
Finally, our team offers recommendations for Wealth and Asset managers to adapt their services to meet these demands effectively.

MINDSET AND BEHAVIOR

Gen Z Women: Carving the Path to Financial Success from Previous Generations

Despite significant disparities, including the gender pay gap and a lack of emergency and retirement savings, Gen Z women's attitudes and behaviors towards wealth and finances offer much to celebrate and learn from. Gen Z women are navigating economic landscapes with an impressive ability to accumulate and manage wealth more effectively than previous generations, emerging as a potent force in wealth and financial management.

Breaking away from the traditional norm of men being the primary financial decision-makers, women across all generations are increasingly confident in managing their family's finances. Compared to five years ago, 30% more married women reported making financial and investment decisions, with a significant increase in women serving as the family breadwinner.[5] A staggering 95% of Gen Z and Millennial women express being the decision-makers for their family finances, followed by 82% of Gen X women and 64% of Boomer women.[6] This surge in women's financial status across generations is accompanied by a rise in their confidence in financial management. In 2022, 71% of Gen Z and Millennial women reported confidence in their financial management abilities—an increase from 56% in 2020—followed by 53% of Gen X women and 46% of Boomer women.[7] Younger women are more likely to approach financial planning with less anxiety and greater excitement than older generations. When reporting feelings of anxiety, Gen Z/Millennial women ranked the lowest at 17%, compared to 25% of Gen X women and a higher 33% of Boomer women.[8] In fact, 52% of Gen Z/Millennial women report feeling excitement towards their financial planning compared to 27% of Gen X women and a lesser 17% of Boomer women.[9] Moreover, Gen Z/Millennial women consider themselves wealthy at higher rates than older generations—43% of Gen Z/Millennial women, 22% of Gen Z women, and 8% of Boomer women.[10]

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The driving forces behind younger women's growing confidence and success in financial planning and management include their increased exposure to financial education and online tools, and a strong motivation for self-sufficiency. According to a study conducted by U.S. Bank, 51% of Gen Z and Millennial women began learning about finances in their twenties, compared to just 27% of Gen X women and 18% of Boomer women.[11] Gen Z and Millennial women's financial education is furthered by their digital engagement in financial matters, such as the use of personal finance and budgeting apps. Utilizing digital tools for financial matters offers customers the resources to access personalized financial advice, optimize savings, and make informed investment decisions. Research highlights a significant generational difference in the adoption of such tools, with 40% of Gen Z/Millennial women utilizing finance apps compared to just 21% of Gen X women and 9% of Boomer women.[12]

Beyond their technological savviness, Gen Z women are a force of independence, breaking away from traditional societal expectations. After experiencing times of financial uncertainty, including the COVID-19 pandemic, and witnessing long-term economic effects, Gen Z strongly emphasizes personal development and financial stability. Influenced by personal aspirations and economic conditions, this generation exhibits a delay in family planning. As asserted by Dr. Karen Benson, an economist specializing in generational financial trends, “Gen Z has learned from the economic trials of previous generations [and are] more likely to delay life milestones until they feel economically secure”.[13] Women progressively share this unique approach to traditional life milestones, with 40% of women indicating they do not align with the societal timeline of getting married, buying a house, and having kids.[14]

While Gen Z women are demonstrating significant financial progress and success compared to older generations, there remains considerable room for improvement in addressing the disparities between Gen Z women and men. Gen Z women continue to face challenges such as the gender pay gap, advancing in male-dominated work environments, and saving for emergencies and retirement. Despite a more substantial record of saving and investing compared to older generations of women, Gen Z women are investing less and feel less prepared to retire than their male counterparts. Additionally, according to Bank of America, only 38% of Gen Z women have enough emergency savings to last three months, compared to 48% of Gen Z men.[15] Gen Z women express specific financial concerns, including 33% worrying about health issues, 26% about market downturns, 21% about underperformance of investments, 19% about insufficient retirement funds, and 23% about a lack of financial expertise.[16]

To effectively address these concerns and motivations for professional support, advisers should establish individualized strategies to alleviate the barriers and worries among Gen Z women. Wealth managers and financial advisors should recognize that Gen Z women are more focused on real-life goals and are more likely to seek professional advice and a personal fit with an investment adviser than their male counterparts. Empowering Gen Z women to achieve their financial goals and thrive in an increasingly complex economic landscape could help lay the groundwork for sustained financial success among future generations of women. Providing support centered on women that caters to their specific needs and goals is essential, fostering equality and empowerment for Gen Z women and women at large.

SOCIAL MEDIA

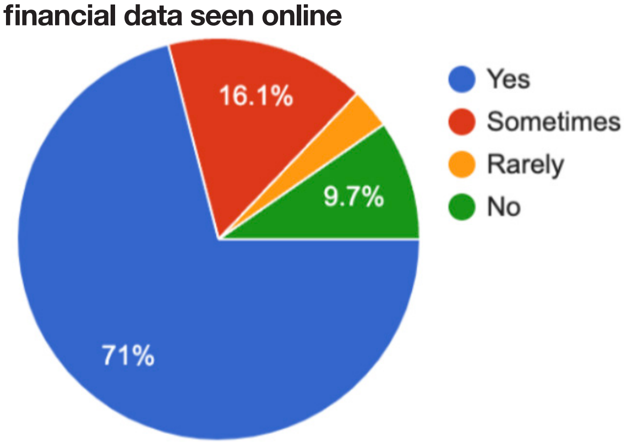
Gen Z and social media: A new source for Financial Information and its Potential Threats

Gen Z has a unique relationship with social media by being the first generation to grow up and be surrounded by this medium. The accessibility of social media has allowed Gen Z to navigate through a plateau of financial information at such a quick absorbable pace. Large social media platforms like Instagram, TikTok, and YouTube have democratized entry to financial information, allowing financial literacy to be built upon through a digital lens: something never seen before. As a result, concerns and questions regarding how financial advisors like wealth and asset managers should deal with this new wave of clients have been raised. Because Gen Z lives in a digital and tech-savvy world, financial advisors should look to incorporate more of their resources into their digital and online platforms, where Gen Z would be most exposed to.

Within the same generation, there is a difference in social media use based on gender: 78% of Gen Z women use social media compared to 66% of Gen Z men.[17] To further emphasize these numbers, we conducted a propriety survey online via LinkedIn, asking Gen Z women for their input on their relationship with social media. One of the many findings included that out of all our respondents, over 90% of Gen Z women use one or more social media platforms as a source for financial information.[18]

Anyone can upload a TikTok video or create an Instagram post that may contain inaccurate, unverified information. According to a study done by CNBC, Gen Z Women are more likely to spend time on short-clips platforms like TikTok and Instagram, making them more vulnerable to financial risks and the influence of influencers.[19] Financial influencers, also known as "Finfluencers" have a large number of followers online. This raises the concern of the reliability of information finfluencers may be sharing to their followers. Younger audiences are more at risk in this regard. In fact, a study done by Stanford shows that 82% of middle schoolers could not tell the difference between an advertisement and a news story.[20] This study further examined on more than 3,000 American high-school students who were shown a Facebook video of Russian election workers secretively loading ballots into bins. The caption to this video stated that these were democrats during the 2016 election. Over half the respondents believed the caption and declared that the video was proof of "voter fraud" during the 2016 democratic primaries.[21] The survey we conducted further investigates this issue at hand, highlighting that 71% of Gen Z women say that they fact-check the financial data they see online.[22] While the sample size is not as great as Stanford 's research, it still emphasizes that misled information online puts certain groups more at risk than others.

Exhibit 1: Majority of Gen Z Women fact-check financial data seen online



Social media allows Gen Z women to gain access to financial education, explore entrepreneurship, and prioritize financial freedom, increasing the odds of early retirement.[23] This can relate as to why we see Gen Z women lead the race as the group with the most screen time spent on social media.[24] The financial opportunities in this new digital world are endless and gives women new pathways towards acquiring wealth.

Why are Gen Z women using social media for Financial Information?

One of the primary reasons for social media's success is its accessibility. Social media offers such flexibility that it can be used and seen by anyone around the world. For investors and finance enthusiasts, it allows them to be exposed to financial concepts that people from previous generations did not have the opportunity to grow up with. The two most important motivators for using social media for personal finance were its perceived usefulness for making financial decisions and its user compatibility. Moreover, social media is also associated with helping consumers build financial literacy, highlighting its role as an alternative source for acquiring financial knowledge.[25] It is becoming a replacement for the traditional one-on-one discussions or meeting clients would typically have with a professional financial advisor. This should come as no surprise, especially given the cost-effectiveness of social media, which offers a low or free way to improve financial literacy. In fact, our survey reveals that stocks were the most learned financial concept obtained from social media, paving testimony as a cheap but effective learning tool.[26]

To further emphasize social media's flexibility, the medium allows clients to select whom they want to follow. With over a million financial influencers on social media and only 330,000 financial advisors in the US[27], clients have more space and freedom to choose the right role model online than in the real world. This approach is cost-effective and saves a substantial amount of time and effort. Authenticity and relatability are the two most sought-after traits when clients decide whom to follow and trust, showcasing clients' values when choosing the right financial advisor. Notably, "69% of respondents are likely to trust a friend, family member or influencer recommendation over information coming directly from a brand,"[28] indicating that clients value personal connections and relatable advice more than the reputation of a well-known company.

Additional benefits of using social media to invest include increased motivation to invest, greater social activity/connect with others or peer influence, a higher commitment to social responsibility, and a stronger willingness to learn about investing.[29]

Some argue that choosing to trust a financial influencer may seem ill-advised, especially if you have the means to a financial advisor. It is important to take a step back and discern the possibilities both options would give you in return. There are mixed results when clients choose to take the advice of financial influencers. Notably, some investment information on social media outlets has been determined to be high-quality, while a significant amount is also found to be unreliable information.[30] On the other hand, traditional wealth management has been shown to improve investment performance. A Vanguard study examining 15 years of investment history found that financial advisors may boost by 3% when adhering to best practices.[31] Similarly, another study conducted by Russell Investments also concluded that returns could potentially increase by 3.75% above the annual benchmark with the assistance of a wealth manager. While hiring a financial advisor may be a prudent choice, cost is a barrier for 54% of American workers. As a result, at least in early income earning years, social media can serve as an effective financial information source for Gen Z women, particularly since they are diligent about fact-checking the information that they see.

Since Gen Z women and clients are encouraged to use social media as a financial information source, it is important to note who these influencers are. According to a Statistica's report, many of these finfluencers are of status (financially, socially, and/or academically).[32] It reveals that 24% of followers of personal finance influencers are innovators or early adopters of new products.[33] The influencers' career backgrounds are also of importance, since clients state that success and career advancement is important to their decision making. Many of the biggest financial influencers have had a background in finance, business, or economics, highlighting their knowledge in the industry, making them trustworthy and some are even self-made millionaires who found their wealth come from personal investments made. Entrepreneurship is also a common factor[34], with many starting personal businesses, whether in podcast, book, or courses.[35]

Gen Z Women seek values alignment including with Finfluencers

Gen Z women are shaping their financial decisions and perspectives in unique ways. This demographic considers value alignment as the most important factor when seeking financial advice. A survey by Fidelity reports that 66% of Gen Z females would rather learn about finance from other females. Previous generations only reported 55%.[36] In our survey, there was an indication that many Gen Z women prefer following influencers who have similar life experiences as them or who share the same values.

When seeking financial advice, trust and personal connections matter the most for Gen Z women. Research by McKinsey Group indicates that affluent women place significant importance on establishing trust with investment professionals, stating that, "they will only work with a financial professional that they trust, ten percentage points more than men."[37] This inclination suggests that Gen Z women will change role models, whether it be online or in person mentors if they feel a lack of connection or trust, unlike their male counterparts who place a lower weigh on these measures.

Who are the top finfluencers?

When examining the landscape of financial influencers, several influential figures stand out due to their social media popularity and influence. The most popular finfluencer is Humphrey Young with 54.3 million followers, likes, and subscribers. Tori Dunlap comes immediately after Young with 26.9 million followers, likes and subscribers.[38] Her advice, often targeted at women regarding money matters, has earned her great respect among dedicated followers attracted by her sagacious counsel and down-to-earth demeanor. Taylor Price comes third with 21.9 million followers, adding to the diversity of financial content available from various influencer styles. Steve, widely known as the “The Financial Freedom Coach” comes in fourth on the list with Josh Rincon claiming fifth, with sizable audience followings at 15.1 million and 10.2 million followers, respectively.

The gender distribution among top financial influencers shows a trend worth noting. Among the top five financial influencers, two are women, which indicates that women are having a strong presence and influence in the finance influencer market. If this list extends to the top ten followers on each account, women fill 40% of the spots with over 58.6 million followers, likes and subscribers combined. However, males dominate in certain area with a total of 97.1 million followers, likes, and subscribers combined amongst top ten male influencers illustrating their greater visibility and reach in the digital financial sector.[39] Comparing follower counts further supports the notion that male influencers overwhelmingly dominate financial influence today. The most notable one being Warren Buffet with 1.7 million Twitter followers, making him the most popular Twitter financial influencer across the primarily male-dominated top 16 list. The first female influencer comes in at number seventeen, Kristie Sawicki, a break from what had been assumed down hierarchy based on popularity of financial influencers.[40] This comes to show that while women are being represented in the digital financial industry, this is still a male-dominated space. There is still more work to be done promoting gender equity hence why financial managers should strive to better represent this new wave of women, benefiting both parties.

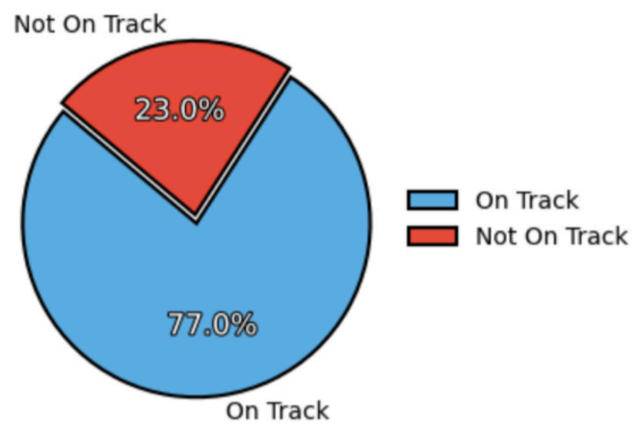
RETIREMENT

Planning For Retirement: Why It Matters and How do Gen Z Women Feel About It

Retirement planning is critical for maintaining financial security in later life, particularly for women, who tend to live longer lives. With forecasts indicating that Gen Z women may live over 100 years, compared to 70 years for Baby Boomers and 85 years for Gen X[41], it is critical for them to be especially careful in retirement planning. Due to their longer life expectancy, Gen Z women will require significantly more funds to maintain their desired lifestyle in later years of retirement.

Our paper draws attention to how Gen Z women currently view retirement as it gives us an idea about how they will likely behave financially in the future. A recent BlackRock study shows that the biggest disparity in retirement confidence is between men and women, with 75% of men reporting that they feel on track to retire with the lifestyle they want, compared to only 59% of women.[42] As for Gen Z women specifically, these women question if typical retirement plans can last. Nearly half of Gen Z women do not expect Social Security to be accessible by the time that they retire, and of them, three-quarters plan to work in retirement to make ends meet.[43] However, Gen Z women are more confident in their ability to save for retirement than previous generations, with 77% of Gen Z feeling that they are on track to retire with the lifestyle they desire, the most of any generation.[44] Some experts believe this assurance is largely because Gen Z women have more time to save and plan[45], which emphasizes why it is important for them to begin early planning, especially to narrow the gender confidence gap as it pertains to retirement.

Exhibit 2: Gen Z Feeling on Track for Desired Retirement Lifestyle



It is a positive sign that Gen Z women are maintaining a pragmatic outlook on retirement that involves recognizing possible obstacles while still having faith in their capacity to surmount them; this may be essential to ensure the success of retirement planning. The increased confidence compared to previous generations of women can help avoid the hopelessness that could deter Gen Z women from attempting to achieve their retirement goals, and having some concerns about the future of retirement can emphasize the importance of early planning.

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Current Retirement Preparation Amongst Gen Z Women

How are Gen Z women planning for retirement? Many of their current efforts are a step in the right direction. Gen Z Women are increasingly turning to experts for financial guidance. According to Fidelity, the number of new female customers they have acquired has increased by 48% since 2019, with the number of Gen Z women almost doubling.[46] This is essential to ensure a successful retirement for Gen Z Women. A study by the Center for Interuniversity Research and Analysis or Organizations (CIRANO) found that, holding all else constant "participants retaining the service of a financial advisor for more than 15 years have about 173% more financial assets than non-advised respondents."[47] Given that Gen Z women may have a longer time horizon of 30 or 40 years, this percentage could be potentially higher.

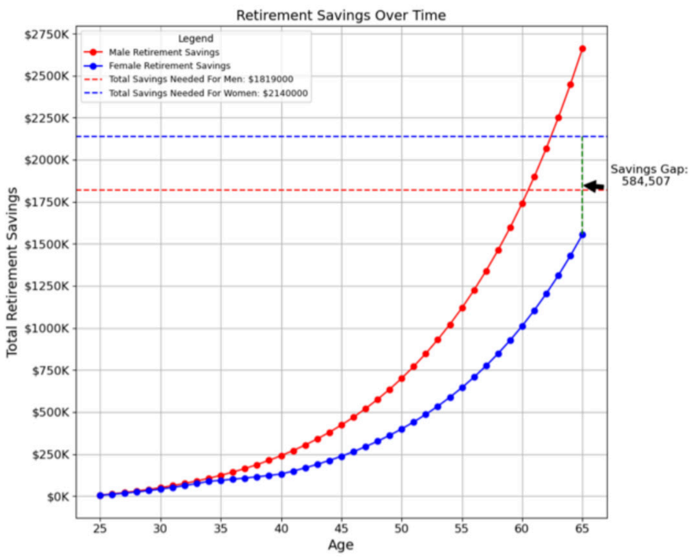
Furthermore, compared to previous generations of women, Gen Z women are investing in greater numbers. According to studies, 70% of Gen Z women invest, compared to 63% of millennials, with older generations seeing a decline.[48] This is a positive sign as investing is critical for generating and keeping wealth; due to their increased investment behavior, Gen Z Women are likely to have more retirement savings in the future. Gen Z women are beginning to save for retirement at a younger age compared to earlier generations. The average age at which Gen Z women begin saving for retirement is 19, whereas millennials started at 25, and subsequent generations starting even later. This early start allows Gen Z women to benefit from the effects of compounding over a longer period. For instance, if a median Gen Z woman saves $200 monthly into a retirement account with a 9% annual return, she could accumulate $1.2 million more than the average boomer woman by the age of 65.

Obstacles that Gen Z Women Face Regarding Retirement

Despite the positive trends in retirement preparation, Gen Z women still face significant challenges including income gap, caregiving responsibilities, and the risk averse behaviors of Gen Z women.

While the income gap is closing, this continues to be one of the prominent retirement obstacles that Gen Z Women face. According to BlackRock, women's ability to save is impacted by the fact that they earn, on average, $0.82 for every $1 that men do.[49] It is important to consider how this affects savings over time, due to compounding effects of the gap. In order to match their male counterparts in retirement savings, women would have to work longer hours than men or retire at a later age. To make matters worse, a study conducted by Lean In and SurveyMonkey finds that half of American adults do not know about the income gap, and that men are twice as likely as women to think it does not exist.[50] This may make it more difficult to close the income gap as people do not recognize that the problem exists, which would further jeopardize the retirement preparation of women.

Exhibit 3: Effect of Income Gap and Career Break on Retirement Savings[51] [52] [53]



Women are more likely than males to assume caregiving responsibilities, which can have a substantial impact on their professional paths, and as a result, their retirement funds. The University of Missouri-Kansas City reports that women represent up to 81% of all formal and informal caregivers, and that women may provide care for up to 50% longer than men.[54] Women's ability to save for retirement may be impacted by the need to take professional breaks, work part-time jobs, or pay more for healthcare due to caregiving responsibilities. Ultimately, job interruptions can result in lower lifetime earnings, missed opportunities for career promotion, and decreased income, all of which can impede retirement savings.

Historically, women have been more risk-averse than males, which can affect their investment choices and retirement resources. According to research published by Emerald, gender plays a statistically significant role in explaining portfolio volatility, with women being more risk averse than males.[55] Women's investing portfolios typically have a smaller allocation of stocks due to this risk aversion. According to BlackRock's research, women may be under-allocated to stocks during crucial stages of their long-term investment careers.[56] Because equities typically provide better returns than other investing options, under-allocation can lead to lower overall retirement savings. Vanguard, for instance, provides an example of an individual who makes $65,000 a year could save $517,500 less over a 40-year period if they invested 10% of their income in a conservative portfolio with an average return of 5.1% compared to a moderate portfolio with an average return of 8.6%.[57] [58] This conservative investment strategy could be the result of insufficient confidence and financial literacy. However, with adequate knowledge, change is possible. Education acts as a mediator to lessen the gender gap in risk tolerance, according to ResearchGate.[59] By enhancing financial awareness and confidence, Gen Z women may be able to overcome their historical risk aversion and make more educated investment decisions, improving their retirement savings outcomes.

Gen Z is looking to other career paths outside the traditional 9 to 5, with a significant increase in the number of individuals who want to be entrepreneurs. Considering that 50% of Gen Z is aspiring to become an entrepreneur or start their own business, we should expect that Gen Z women will pursue this career path at a greater rate than any generation of women before them. It is important to note this because of the unique challenges that entrepreneurs face regarding retirement. Entrepreneurs often lack a structured retirement plan because they do not have access to employer sponsored plans such as a 401(k). Also, many entrepreneurs have an irregular income and prioritize reinvesting profits into their business as opposed to saving for retirement, which could impact retirement savings later. For financial advisors, developing a financial plan that considers the unique needs of entrepreneurs is essential to ensuring that Gen Z women clients pursuing this career can save sufficiently for retirement.

RECOMMENDATIONS

As part of our research, we examined the existing products on the market designed for women. Firms like Ellevest are addressing the financial needs of women, with an all-women team and a model that accounts for the earnings, lifespan and motivators of women being separate from men's. Their model considers the cause driven preference of women, with one of their portfolios aiming at investing in the female advancement. Other platforms like Female Invest have educational programs tailored for[60] women and contain research for women investors that is widely available on Merril Lynch's website. In addition, BlackRock has developed Model Portfolios for Women, a life cycle investment solution that "adjust[s] 3 specific inputs for Women: Longevity, Income Gap, and Earning Gap. Our suggestions are focused on how to effectively deliver advice to Gen Z women and which investments are most beneficial and catered to their needs.

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Recommendation #1: How to deliver financial advice to Gen Z Women throughout their lives.

Wealth advisors should be developing a plan on how to properly adapt the medium of advice for Gen Z women based on the stage of life these women are in. We suggest a model that starts online and eventually moves to in person once the client acquires sufficient wealth. Consistent in person advice requires a significant amount of wealth to sustain. We recommend women in later stages of their lives that may not have enough wealth to hire an in-person wealth advisor should look like at commission-free stock, trading and investing apps, like the existing Robinhood and ETrade.

Social media influencers: Building partnerships between finfluencers and wealth managers.

The social media segment of the paper established that Gen Z women are getting their financial advice online and they are listening to the women on these platforms, because they are more relatable and easily accessible. Wealth management firms should hire female social media influencers who discuss finance on platforms like Instagram and TikTok, being careful of the potentially detrimental nature of short-video format, and LinkedIn, YouTube, and Reddit, which we suggest because they communicate more information and allow the video to delve deeper into topics. As part of their contract, the influencers should get licenses (Series 7, SIE, etc.) so that they can credibly deliver financial and investment advice through social media channels. These influencers will be a trusted source of knowledge and can promote the company's products designed for their audiences. As mentioned in the Mindset and Behavior section, "it is essential to provide women-centered support that caters to their specific needs and goals, fostering equality and empowerment for Gen Z women and women at large" and qualified female influencers would provide just that, while mitigating the risks of misinformation online.

In person advice: Developing Gen Z women financial advisor.

As Gen Z women become wealthier and have greater amount of money to manage, they will need more personalized advice. Financial planning and advice should be switched to in person for those who can afford it. Stillman's consulting firm found that 84% of Gen-Z prefers in-person communication over text or email.[61] x Since Gen Z Women want to get information and advice from peers, wealth managers should make sure that there is a pipeline of trained female financial advisors who will have established businesses by the time that a subsection of Gen Z Women have the amount of wealth and financial complexity that would benefit from in person financial advice.

Internship programs can be an effective way of recruiting young talent that will be entering the work force soon. These programs should specifically be targeting women in their third and fourth year of study and can be advertised at college career fairs and on job hunting apps such as LinkedIn and Handshake. The goal is to professionally train Gen Z women to be advisors for their peers in later years, when their generation will have benefitted from the Great Wealth transfer. The new advisors will have an impeccable understanding of the needs and wants of their target audience. Their education can include programs specifically tailored for Gen Z women; by combining the TrustWillow Advisor For Women™ Certificate Program and Advisor For NextGen™ Certificate these interns will have a set of skills that will set them apart and be beneficial for companies that want to cater to Gen Z women.

Women wealth advisors are going to be hired and retained by providing flexibility in roles, which allows them to take time for family and to deliver great work on their schedule. Also, firms that encourage pay transparency to overcome the pay disparity issue will be more desirable for prospect female Gen Z workers. Moreover, internally promoting female employees to leadership roles will create mentors who could further enhance retention and attractions.

To be prepared for the upcoming demand of women advisors and retain them, we suggest hiring the already qualified and experienced women into higher roles at firms. While we want firms to form a new cohort of highly qualified female financial advisors, it will be discouraging for them to not see feasible career advancement at that certain company. It is important to have those aspirational roles already fulfilled by women as a driving factor for the new hires.

Recommendation #2: How can asset managers better create investment products designed to (1) encourage Gen Z Women to take more appropriate levels of risk and (2) take into consideration longevity, pay gap and cycling in and out of the workforce.

Asset Managers must consider the behaviors of Gen Z women and develop new models that target their distinct needs and push them out of their comfort zone to maximize their investments.

It is important to educate Gen Z women on taking more risk and develop models that can benefit them earlier in their life, allowing Gen Z women to take the right steps as they age and acquire wealth. We have already highlighted how women’s risk adverse nature could have been a result of a lack of confidence and knowledge about finances in the past. This has potential to change for Gen Z women if they are educated. Our recommendations can be successfully implemented by informing women of the reason for these specific choices and building their confidence in taking risks.

Alternative Investments: Driving appropriate adoption with Gen Z women.

Alternative investments help qualified investors diversify and take appropriate levels of risk in their portfolios. According to McKinsey, retail investment in alternatives currently represents just 2 percent of overall investment portfolios[62] and projects. The retail allocation to alternatives has potential to more than double to 5 percent in the next three years.[63] Our recommendation would help maintain and improve the upward trend.

The “BlackRock Model Portfolios for Women” fund managers state that “on average, women may be under allocated to equities at critical periods of their long- term investing. They need to take more risks, especially considering the longevity, pay gap and income earning gap risks that they face compared to men”.[64] To ensure that they take the appropriate and necessary amount of risk, their investments need to include alternatives or ETFs that offer alternative investment exposure. While alternative investments are high fee and may not be suitable for all Gen Z Women, it can be a valid option for Gen Z Women with a net worth of over $1M excluding primary residence.[65] As mentioned in the Mindset and Behavior section of the paper, affluent women often seek new wealth-management relationships tailored to their needs, recognizing gaps in achieving their financial goals. As previously covered, they are less confident in their own financial decision-making skills and more likely to seek professional advice. While it is a small market currently, the concept of alternative investments can be introduced earlier so Gen Z Women can add it to their portfolio once they build the appropriate amount of wealth.

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Demand for Alternative Investments: Making alternatives an aspirational luxury brand for Gen Z women.

Luxury brands have perfected the process of creating brand affinity for young people who cannot afford them but aspire to be able to purchase products once they are more financially successful. There are 2 ways that luxury brands have built affinity with younger consumers.

We use Nike as an example of the first strategy:

- They craft a compelling story: Nike features stories of champions in all areas of life, making them part of its image. Anyone can find a story to connect with and create a stronger relatability to the brand.
- They create a distinctive identity: Nike’s signature symbol, which is featured in all their products, is a way to separate themselves from other brands and be easily recognizable.
- They have a meaningful purpose (that resonates with the target audience, inspirational): As stated on their website,

Nike’s mission is “To bring inspiration and innovation to every athlete* in the world.,” specifying that if you have a body, you are an athlete. This statement aligns with the inclusive values of the younger generation, strengthening brand affinity.

Through these steps, brands create a relationship with the customers before they are even able to purchase the product. Customers The brand is emotionally significant to them and makes them want to purchase items; it becomes a goal for them.

The second strategy is known as high-low mastery. High-low mastery is striking a balance between high-end luxury and “accessible” pricing. In other words, luxury brands maintain the integrity of their brand identity and reputation for craftsmanship while making their products more accessible to a wider range of consumers. A way of implementing this technique is by offering entry-level products that are both high-quality and distinct, infusing these products with unique design elements and features, not a mere replica of more expensive pieces High-low mastery cultivates brand loyalty. When customers begin their journey with a luxury brand through an entry-level product and have a positive experience, they are more likely to become repeat buyers. For example, Louis Vuitton introduced the “Neverfull” tote at a more accessible price point. Despite being one of their entry-level products, the attention to detail and quality are no less impressive than their more expensive counterparts. This strategy has not only expanded Louis Vuitton’s customer base but also allowed them to maintain their reputation for excellence.[66]

Asset managers have an opportunity to make alternative investments and aspirational luxury brand for Gen Z women. By taking the first approach discussed, asset managers can implement a plan similar to the below:

- An asset management firm should rebrand alternative investments as the key to a stable retirement, which is something Gen Z women are concerned about. This can be done through the help of celebrities and social media influencers that promote their products as a key to their financial success
- An established partnership with one of these influential figures, becoming the face of their product, thus helping to create an identity for alternative investments. They will be known as the tool that allowed the chosen figure to acquire their wealth
- The product promoted should be investing in a social cause that is meaningful to Gen Z women, like the environment or human rights.

Alternatively, following the second approach, asset managers can make alternative investments aspirational for Gen Z women by creating an "entry-level" product as well, that is more affordable and still offers a good return on investment. This can be done by building alternative investments into an ETF.

Key Precautions for Asset Managers Introducing Alternative Assets to Female Clients

When introducing alternative assets or ETFs to Gen Z women, asset managers should prioritize the following precautions: alignment with financial goals, transparency in fees and costs, and risk assessment and communication. Firstly, alignment with financial goals is essential because not all clients share the same investment horizons or risk tolerances. Alternative assets can be more suitable for clients with specific long-term objectives and risk profiles.[67] Many female investors may have missed opportunities in alternative investments which can provide portfolio diversification and exposure to broader economic trends.[67] By tailoring alternative investment offerings to align with women's specific financial objectives, asset managers can empower female clients to invest more effectively and confidently.

The second practice asset managers should practice is transparency in fees and costs is critical because alternative assets and ETFs often carry higher fees compared to traditional investments. Clients must be fully aware of these costs to avoid any surprises and to understand the value of their investments.[68] For instance, clearly outlining management fees, performance fees, and other associated costs helps clients make informed decisions. Transparent communication regarding fees builds trust and credibility, which is particularly important for female clients who may have heightened sensitivity to value and cost-effectiveness[2].

Lastly, assessment and communication are crucial, as alternative assets can exhibit higher volatility and liquidity constraints. Clients need a thorough understanding of these risks to make well-informed decisions. For example, providing detailed risk assessments and potential scenarios helps clients grasp the possible impacts on their portfolio. Effective communication ensures that clients are not caught off guard by market fluctuations and can maintain a long-term perspective, reducing the likelihood of panic-induced decisions.

While these three precautions—alignment with financial goals, transparency in fees and costs, and risk assessment and communication—are vital, their effectiveness is significantly enhanced through robust client education. Educating clients about the nature of alternative assets, their risks, and costs empowers them to make informed decisions aligned with their financial goals. Comprehensive education fosters a deeper understanding and trust, leading to more successful investment outcomes and stronger client relationships.

CONCLUSION

In conclusion, Gen Z women have a unique opportunity to leverage their distinctive characteristics and perspectives to build and sustain wealth. Wealth and asset managers play a crucial role in this journey by providing innovative tools that cater to the distinct needs of this generation. These strategies can empower Gen Z women to achieve long-term financial security and independence.

Authors' Note

Our paper provides wealth and asset managers with tailored strategies and tools to effectively serve their next generation of clients, with a focus on Gen Z women. We highlight the unique financial circumstances and needs of this demographic, which differ significantly from those of previous generations. Our research aims to reshape the financial landscape to better align with Gen Z women's priorities and values. By presenting a clear framework for understanding these needs, we offer framework for creating a more transparent and inclusive financial environment.

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