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WOMEN ON THE MOVE IN BANK BROKERAGE

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REGULATION THROUGH
THE BACK DOOR**

WOMEN ON THE MOVE IN BANK BROKERAGE

► By Andrew Singer

Of all the brokerage distribution channels, the bank channel has the highest percentage of female advisors—more than wirehouses, independent brokerage firms, insurance companies, or Registered Investment Adviser firms (RIAs).

But that's not good enough.

Even though banks are tops with 17 percent of advisors in the distaff category, "they absolutely should be trying to get it higher," says Amanda Smith, senior vice president, marketing, National Financial (Boston), a subsidiary of Fidelity Investments, the mutual funds giant.

Why? Women advisors actually have higher assets under management (AUM) than men—an average of \$63 million versus \$62 million for the men,

according to a recent Fidelity study—and they tend to form deeper, more collaborative client relationships. They are more likely to know *everything* about a client's financial and personal life, adds Smith, are more likely to collaborate with younger clients, and are 36 percent *less likely* than men to select investments without client input.

Higher AUM than men? Isn't that surprising? Not entirely, answers

Smith in a recent interview. Female advisors tend to work more willingly on 'teams'—whether they be brokerage teams (e.g., a senior advisor, junior advisor, and a licensed bank employee, or LBE) or interdisciplinary teams (e.g., commercial lender, insurance rep, financial planner, and a trust officer). Teams often make for a more efficient sales and service process, with the net result of more satisfied clients and more AUM, suggests Smith.

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The other advisors handed their cards to the husband only.

Another key point: Women advisors are often better at handling women investors. Take the case of a top advisor who had recently won the business of an affluent couple.

‘Why did we hire you?’

When the advisor met with the couple for a second time, Smith recalls, the woman asked the recently hired advisor: Perhaps you are wondering why we picked *you* as our advisor?” After all, they had interviewed many candidates, most with impressive credentials.

The advisor expected to hear something about his solid investment record, his sterling references, his impeccable client service—something along those lines.

Instead, the wife explained: “You were the only one at the end of the meeting who handed your business card to me.” The others tendered their card to the husband alone.

When Smith addresses groups of advisors in her work, she often recounts this story. And when she does, she espies many worried expressions in her mostly male audiences. “Do I give *my* business card to both spouses?”

“We think that it [i.e., the business card omission] is a typical reaction” on the part of advisors, comments Smith. It’s “unconscious behavior” not to consider the female an equal partner in the relationship. In meetings, the advisor talks to the husband, not to her, “and the woman notices this.”

When it comes to financial decisions, most women do trust their husbands, but when the husband passes away—and women these days outlive men by five to seven years on average—and the woman never developed a relationship with the family’s advisor, then the woman frequently switches to a financial advisor with whom she *can* build some chemistry, research suggests. It is something worth pondering, given that 70 percent of women replace their financial advisor within a year of the death of their spouse, according to *Advisor Perspectives*.¹

In a recent interview with *BISA Magazine*, Smith based many of her conclusions on the 2013 Fidelity

Of all the brokerage distribution channels, the bank channel has the highest percentage of female advisors—but it still is only 17 percent.

Advisor Insights Study, an online, blind survey (Fidelity not identified) fielded during August 8 to 21, 2013. Participants included 813 advisors from across multiple firm types that work primarily with individual investors and manage a minimum of \$10 million in individual or household investable assets. Firm types included a mix of large and small independent broker/dealers, regional broker/dealers, RIAs, insurance companies, wirehouses, and banks.

The survey’s findings were weighted to reflect industry composition. Among the total sample, 86 respondents were bank advisors. Bellomy Research, an independent third-party research firm not affiliated with Fidelity Investments, conducted the study.

Why more female advisors in banks?

We asked Smith why the bank channel appears to have more women advisors than other distribution channels (proportionately). Fixed compensation and more flexible work hours are two reasons.

More than other channels, bank advisors earn a higher part of their compensation in the form of salary (as opposed to commission); female bank advisors are taking about one-third of their compensation as salary.

This suits them, comments Smith. “Biologically, they are hardwired to be more risk averse than men.” Bank hours

are also attractive. The formal work day ends at 5 p.m. for many bank-based advisors, which is often convenient for female advisors who have more complex family responsibilities.

The importance of chemistry

In the Fidelity study, female investors placed a high value on establishing a personal relationship with an advisor, no matter if that advisor is male or female. Indeed, 90 percent of married and single women said they have no preference with regard to gender of an advisor, and 75 percent of widows and divorcees say they don’t care about an advisor’s gender.

“What they do care about is good chemistry,” says Smith, and it’s often here where female advisors excel.

Meanwhile, only 15 percent of male advisors say they target female investors, compared with 45 percent of female advisors who say they target them.

Findings that show women are often more educated, that they sometimes are the primary bread winner, and that they live longer, all influence the fact that nine out of 10 women will eventually find themselves solely responsible for financial services.

But they are still dissatisfied with the service they are receiving. They often feel condescended to and that they are given different levels of services. All this adds up to a big opportunity for advisors who make a point of targeting female investors, suggests Smith.

Younger investors

This blind spot on the part of financial advisors with regard to female investors also extends to younger investors. Most financial advisors regard targeting Gen Xers and Gen Yers as largely a waste of time. “Few people are going after younger investors.”

This is a mistake in Smith’s view. “The industry as a whole is focused on baby boomers. That has been its sweet spot for a long time. We feel we know the boomers well.”

The younger generation wants to have 'one hand on the steering wheel' when it comes to investment decisions.

Fidelity certainly feels that way, she says, adding: The firm has built its business on the backs of the baby boom generation. "And a lot is happening with them [boomers] now." They are retiring, liquidating their businesses, selling their homes, and they have lots of liquidity—2.5 times the investable assets of their heirs—"so we're really focused on them."

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Indeed, when Fidelity asked its survey respondents which client segment they were focusing on, the No. 1 target remained baby boomers. They are still the ones most likely to walk through a broker/dealer's doors to open a new account.

But the boomers' impact is declining, and "we are about to hit an inflexion point," says Smith. By 2017, there will be more Gen Xers walking through the doors than boomers, and by 2023, more Gen Yers than boomers.

Banks should be thinking about that, asking themselves: "What is our sweet spot going forward?"

'Validators'

Advisors in all channels will need to better engage with younger investors. The use of technology is important for this target group. "They engage with technology in a different way." They want to use online tools, for instance, so they can "visit" their money. They don't want advisors making all their investment decisions for them, either. Rather, they are what Smith calls "validators." They want to 'validate'—

sign off on—investing decisions. This is an investment generation that wants to have 'one hand on the steering wheel.'

The fact that the bank channel has a high percentage of female advisors bodes well for engaging younger investors because females, again, tend to be more collaborative and are

less likely to make solo investment decisions. They are willing to let these younger investors 'validate' investment decisions.

There are misconceptions about younger investors. One common one is "that they don't have any money," notes Smith. Data show that Gen Xers are now entering their peak earning years, and Gen Yers are moving out of entry level jobs into career jobs, so both groups have more to invest now.

They are also inheriting money. Accenture estimates that \$30 trillion will be passed from boomers to Gen Xers and Gen Yers in coming years. Yet 90 percent of children who inherit money do *not* keep their parent's advisor. That advisor has often not engaged with him/her, according to the Fidelity survey results. Only 25 percent of advisors consider intergenerational issues to be part of their job.

All in all, there is a "tremendous missed opportunity" here that banks may want to take advantage of, Smith suggests.

Gen Xers and Yers shouldn't be overlooked on the producer side, either. Indeed, "the success of the

younger advisors" was one of the surprises of the survey, according to Smith. Younger advisors often have higher AUM than even boomer advisors. One reason, as with women advisors, is that they are more likely to "team" with others, which often results in more efficient practices.

Another explanation is that younger advisors are using technology in a different way, says Smith. Not only do they favor things like paperless options, they also use technology to communicate with clients—not just email, but increasingly through social media, which the industry has been slow to embrace (admittedly, there have been some compliance monitoring challenges to resolve). The industry is now embracing social media, however, and younger advisors are in the forefront of this trend.

"Younger advisors aren't chained to face-to-face meetings," unlike some older advisors, adds Smith. When something big happens in the market, an older advisor may be on the phone all morning discussing developments with key clients. A younger advisor might use a webinar or other means to respond to developments.

In sum, women and Gen Xers and Yers represent an underutilized asset when it comes to staffing bank-brokerage programs. ▲

Footnote

¹ "Seventy percent of widows end up leaving the family advisor within a year of a husband's death," see Kristan Wojnar and Chuck Meek, "Women's Views of Wealth and the Planning Process: It's Their Values That Matter, Not Just Their Value," *Advisor Perspectives*, March 2011



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