Advisor Advancement Institute

June 2024

Research Insights

The mother of all blind spots

Financial advice and the looming gender inflection point

The financial planning industry in the U.S. is mired in decades of norms and business practices based on what was once a reality—men controlled much of the money. Therefore, the most successful financial advisors, both men and women, honed their skills by interacting with clients in ways that appeal to men.

Despite a cultural sea change, the norms and business practices from the past continue to influence how many financial advisors work with their women clients and how they bring women advisors into their firms.

It's no wonder women clients today often feel belittled and ignored—and women advisors feel they don't fit, aren't being developed, and do not have access to the best opportunities. Attaining gender diversity has often been framed in terms of morality—as in it being the right thing to do. But progress has been glacial.[1]

Executive Summary

- By 2030, women will control the majority of the $30 trillion in financial assets that the baby boomers possess, and many women will switch to advisors who can offer them more holistic, empathetic, and relationship-based services.
- To prepare for this seismic shift, advisory firms don't have the option of tweaking practices here and there since time is running out—firms that can increase their gender diversity and become more *gender bilingual* now will have a competitive advantage in capturing this huge growth opportunity, while those that fail to do so will face disruption and decline.
- This report provides six practices that can help firms accelerate their diversity efforts, such as broadening the pool of candidates, rethinking team structures, and creating compensation transparency.

New York Life Investments

How it all began—The start of the financial planning industry

The modern financial planning industry can be traced back to regulations created in the 1930s in response to the Wall Street Crash of 1929 and the Great Depression. The legislation enacted was the Securities Act of 1933, the Securities Act of 1934, and the Investment Advisers Act of 1940. These acts formalized the roles of broker-dealers (BDs) and registered investment advisors (RIAs). Financial products at the time were siloed, and most financial intermediaries had different incentives and motivations. Salesman Loren Dunton famously called a meeting in 1969 of leaders in financial services to advocate for a more holistic profession that would address the long-term financial needs of consumers. Out of this meeting came the Society for Financial Counseling—later renamed the International Association for Financial Planners and the College for Financial Planners. It enrolled its first students in 1972 and created a certified financial planning certificate (the CFP).[2]

In many ways, the practices and routines first set in the 1930s persist in the business practices of today's advisory practices. To meet the coming inflection point, firms will need to review and revamp their foundational principles to position their offering for the coming transfer of wealth to women.

The Equal Credit Opportunity Act was passed in 1974, but implementation of its goal to ensure women were treated equally by financial institutions took quite a long time. It has only been very recently, in historical terms, that women in the U.S. gained legal standing to make important financial decisions. And even though laws change, the societal change that leads to different cultural norms and behaviors changes slowly. Research by Gallup found that it took the past 50 years for social norms to change to where women are now more inclined to work outside the home instead of as homemakers.[3]

Given women's limited legal control over financial resources in the past, coupled with societal norms of the time, it made sense for the financial advisory industry to focus on men's preferences. Times, however, have changed, and outdated practices that once worked extremely well can now create a competitive disadvantage.

Seeing things from a different vantage point

Researcher Caroline Criado Perez points out, we have designed systems that methodically ignore half the population in the design of everything—from cell phones to automobiles to, yes, financial services products.[4]

Even academic research in psychology on differences between men and women typically didn't include women study participants or treated them as anomalies. Erik Erikson's famous eight-stage model of human development was based almost exclusively on studies of white, middle-class males.[5] Kohlberg proposed a theory of moral development based on interviews only with men.[6] And Perry, in constructing of a model of intellectual development did actually interview women but ended up discarding those data points as they didn't fit neatly with his resultant theory.[7]

As famed psychologist Carol Gilligan later observed, "Men are not a representative sample of humans."[8]

Her groundbreaking book *In A Different Voice* was one of the first to pave the way for recognition of the different ways in which men and women relate to the world.[9] As she puts it, "From the different dynamics of separation and attachment in their gender identity formation through the divergence of identity and intimacy that marks their experience in the adolescent years, male and female voices typically speak of the importance of different truths—the former of the role of separation as it defines and empowers the self, the latter of the ongoing process of attachment that creates and sustains the human community."[9]

In other words, men tend to be oriented toward individual achievement and winning, while women tend to be oriented toward healthy relationships and community. This is, of course, a common stereotype. But for many of us, it is very difficult to see a different world view from your own vantage point. What advisors need to take seriously is that for their women clients, these differences matter. They matter enough that if their concerns are not met, they'll give up purely financial outcomes for other results, they'll give up narrow definitions of performance, and they may very well give up an advisor who doesn't relate.

Just as psychologists discounted women subjects in their studies or treated them as aberrations, it's easy to fall into the same trap when looking at women's investment behavior through the lens of what is associated with success for men. As researchers studying venture capital investment discovered, "investors are not biased against women per se, but rather, both men and women face biases when they display feminine-stereotyped behaviors."[10]

These biases show up in familiar ways. For instance, women-oriented or led businesses receive less investment, are challenged on their potential risks more than male-oriented businesses, and are more likely to be shut out of the conversation entirely.[11] So, here's the dilemma. We know men and women behave differently, and yet rather than balancing investment approaches to acknowledge these differences, organizations often pretend they don't exist (which they do) or force-fit the once-minority gender (in this case, women) to conform to the culture created by the dominant one. Remedies, such as women's affinity groups, all-women training courses, and special events around women's accomplishments—while they give women a place to connect and feel heard—are not enough to move the needle fundamentally. Instead, what is needed is an approach recognizing that both genders deserve to be addressed in the manner that best suits them—not force-fitting women into a model that works for men.

Let's consider some practical examples from the world of marketing, according to *The Daring Book for Boys in Business: Solving the Problem of Marketing to Women* by Jane Cunningham and Philippa Roberts, 2013. In this book, we learn that masculine-oriented messages are often aimed at describing the underlying technology, features, or processes of an offering—often with an excess of detail. But messages considered to be more woman-friendly tend to embrace elements of what the offering does for people and their relationships—and typically take the form of a story. A successful message marketed to men would often be individual in nature—where the idea can help make you more competitive, wealthier, or enhance/accelerate results. However, an appealing message for women would be more focused on improving things for communities they care about—in other words, helping others. Men tend to appreciate insights from experts with fancy credentials and impressive backgrounds. Whereas women tend to prefer insights from those who mirror their own lived experiences and can talk knowledgeably about them—such as their financial advisor. Getting these messages wrong for *either* gender represents lost opportunity.

The comforting belief that structures designed to asymmetrically promote and advance men are based on merit also needs to be questioned. Consider the results in terms of gender diversity experienced by symphony orchestras when they first introduced "blind" auditions. As an article in *The American Economic Review* reported in September of 2000, when players auditioned behind a screen, hiding their identity, the chances that a woman would be hired and subsequently advanced dramatically increased. In other words, taking gender out of the decision-making process led to choices that more truly reflected merit.

> Women tend to prefer insights from those who mirror their own lived experiences and can talk knowledgeably about them.

Reshaping the landscape—Changing the trajectory for gender diversity

Firms that haven't figured out how to increase the diversity of their teams are about to run smack into a dramatic strategic inflection point that will forever change the terrain upon which their strategies have been based. The winners in this new future are already taking the initiative to be prepared for this inflection point. They aren't fintechs or robo-advisors; they are firms that have learned to be *gender bilingual*[12]—the idea of working with clients in the ways they prefer and creating an inclusive environment for them. The growth opportunity for getting gender diversity right is stunning—especially since there are trillions up for grabs. The firms that miss this inflection point will find themselves fighting over scraps of a far smaller market if they don't prepare themselves accordingly. The time to act is now.

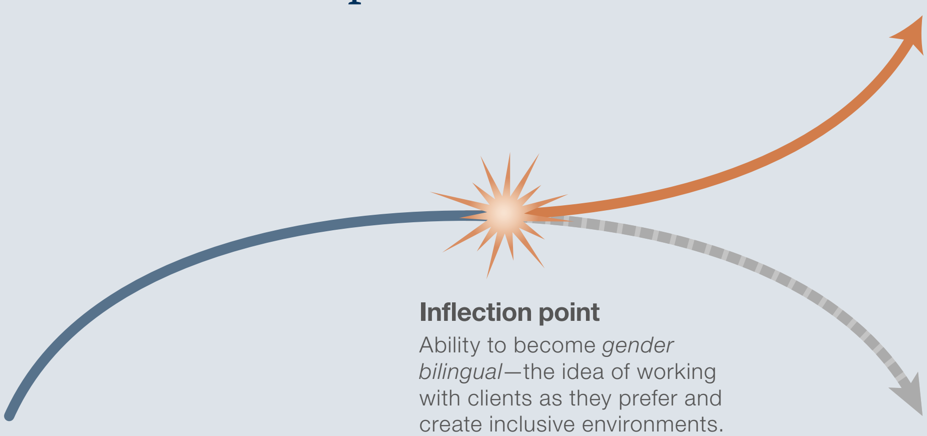
> "The winners in this new future are already taking the initiative to be prepared for this inflection point—they are firms that learned to be *gender bilingual*—the idea of working with clients in the ways they prefer by creating an inclusive environment."

What is the inflection point?

A strategic inflection point represents a seismic shift in reality—what former Intel chairman Andy Grove called a “10X” shift.[13] Grove, in later research, affirmed his observation that being able to “see” an inflection point coming can take a business to new heights. Missing it can cause a decline.

For example, Adobe’s leadership—prompted by fallout during the 2008 Great Recession—courageously decided to offer its Creative Suite software online exclusively through its Creative Cloud service. In another example, John Deere invested in technology that upgraded its products for the agricultural and construction industries—and is today reaping the benefits of being prepared for the advent of artificial intelligence (AI) and machine learning solutions that can create safer, more productive, and “smarter” environments for its equipment. Indeed, the digital transformation inflection point that gave such an advantage to big tech companies is now diffusing across the economy to many other kinds of firms.

The inflection point curve

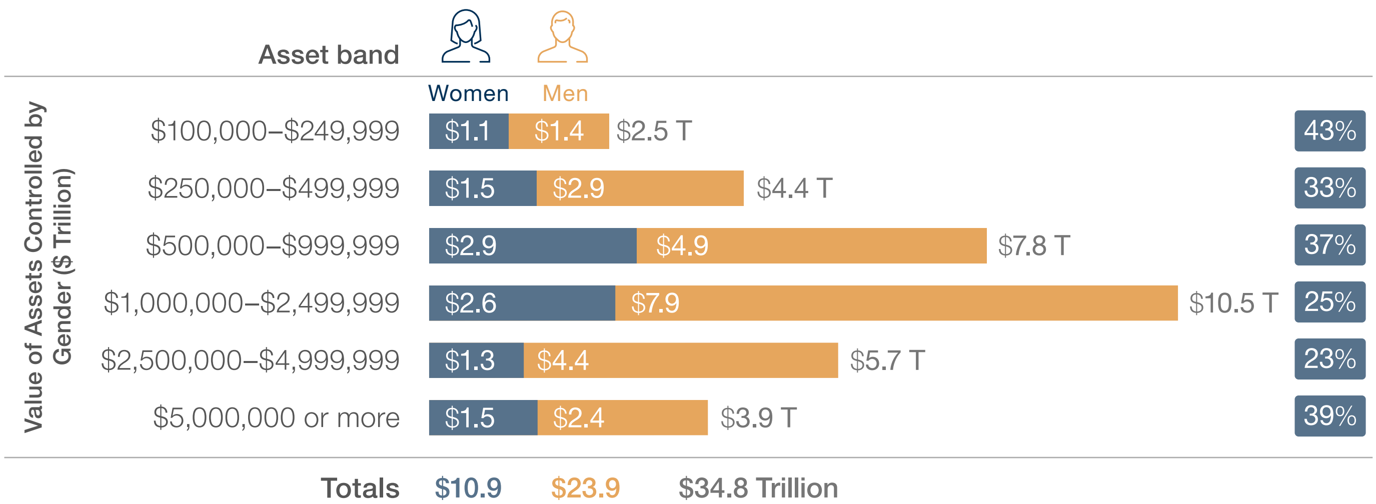


Source: A. Grove, “*Surviving a 10X force*,” Strategy & Leadership, 1997.

Advisory firms will soon face the reality that the traditional dominance of men over financial decisions is going to fade—meaning that women will be in the driver’s seat for more investment decisions.

McKinsey found that “an unprecedented amount of assets will shift into the hands of women in the U.S. over the next three to five years, representing a $30 trillion opportunity by the end of the decade.”[14]

Today, women in the U.S. control $10.9 trillion in assets



Source: McKinsey analysis, Federal Survey of Consumer Finances: $100,000+ in wealth and 25-75 years old; n=9,434 ($100,000+ in investable assets and age 25-75); women n=2,889, men n=6,545, 2022. NOTE: Figures may not sum because of rounding.

The firm surveyed over 9,400 affluent investors, with nearly 2,900 of whom were women. They combined this analysis with data from their PriceMetrix database, which contains 12 million retail investors, over one billion transactions, and more than $6 trillion in assets to come to their conclusions. As they point out, today, women control about a third of U.S. household financial assets—totaling more than $10 trillion.

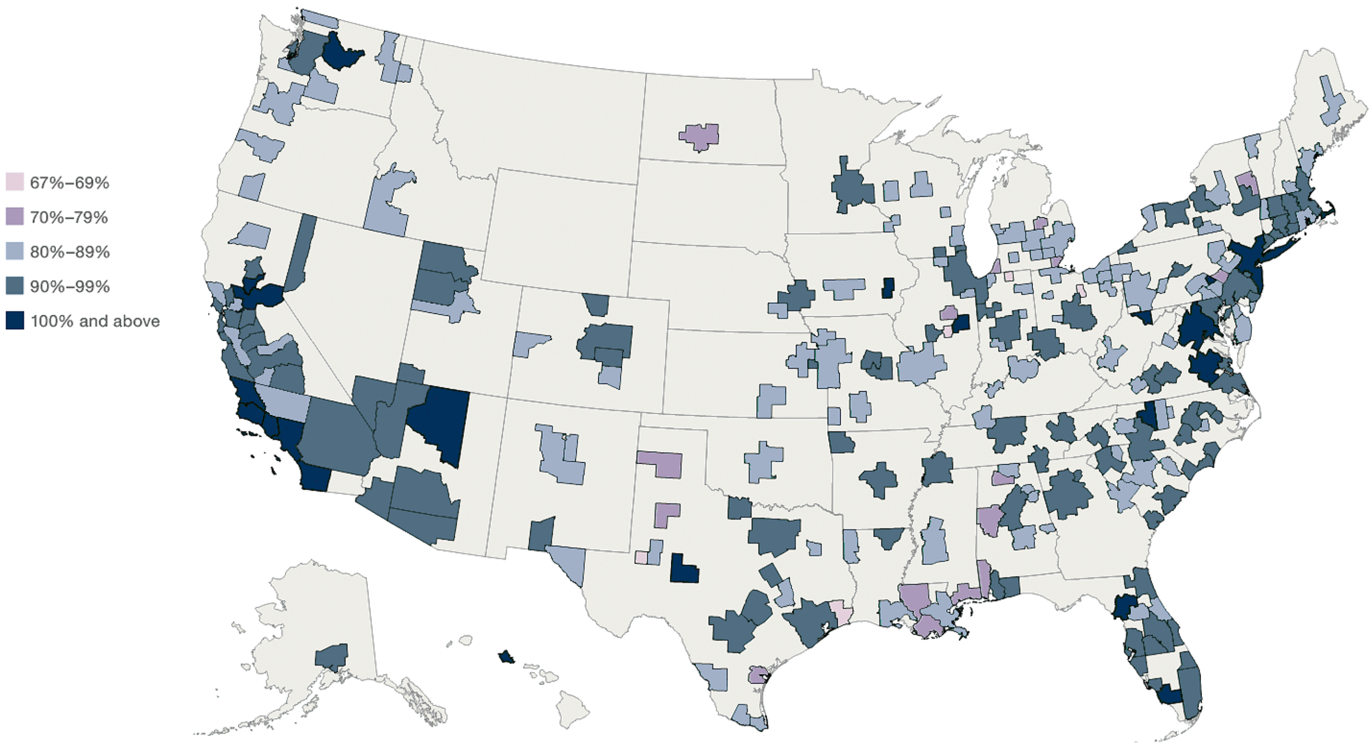
> By 2030, American women are expected to control much of the $30 trillion in financial assets that baby boomers currently possess, creating a potential wealth transfer of such magnitude that it approaches the annual GDP of the U.S.

They conclude that roughly 70% of investable assets held by affluent-households in the U.S. are currently in the hands of baby boomers. Those demographics tell us a lot about who will control those funds in the future. Two-thirds of baby-boomer assets are currently in households with both a man and a woman present—with financial decisions typically being made by the man in the relationship. Women tend to be younger than the men they marry,[15] and they tend to live about six years longer. When the men pass on, control of those assets is ceded to their partners. What that means, McKinsey argues, is that by 2030, American women are expected to control much of the $30 trillion in financial assets that the baby boomers possess, “a potential wealth transfer of such magnitude that it approaches the annual GDP of the United States,” as they put it. As this wealth transfer takes place, it’s important to note that a recent New York Life Investments’ study found that women believe financial advisors treat women differently, feel patronized by their advisors, believe advisors are less likely to listen to ideas from a woman, and that advisors push women out of financial conversations, more so today than they did in 2019.[16]

In addition to these demographic shifts, other social changes highlighted in New York Life Investments' study showed that women who are considered single or married breadwinners feel prepared for their current roles, 67% and 83%, respectively—and are becoming more involved with their finances, making more financial and investment decisions, and taking their places in roles that were once dominated by men.[16] Additionally, the Pew Research Center found that in 22 of 250 metropolitan areas they studied, young women out-earn young men of a similar age.

Young women earn at least as much as young men in 22 U.S. metros

Median annual earnings of U.S. women as a percentage of men's median among full-time, year-round workers under 30.



Source: Pew Research Center, analysis of 2015-19 American Community Survey, 2022. NOTE: Estimates refer to full-time, year-round workers ages 16-29 who reported positive wage and salary income in the prior 12 months. Self-employed workers were excluded.

There are, of course, other important trends that matter. A new generation entering the workforce has different expectations—prioritizing values such as purpose over more traditional concerns about compensation and benefits.[17] The rapid introduction of new technologies, such as artificial intelligence (AI), can put older advisors at a disadvantage.[18] With offerings such as index funds and robo-portfolio managers, the informational advantage that an advisor once had is becoming increasingly commoditized. Indeed, some researchers speculate whether technology might eliminate the need for financial planners at all.[19] As Klepper, McGrath, and Wilson point out, we are also looking at a "silver tsunami" with few successors in place who have been prepared to carry on the firm's activities.[20]

Some argue that of the few remaining sources of competitive advantage, is the ability to create and sustain relationships.[21] And, we've found that relationships matter as much as performance. Since this is a high priority for both women investors and increasingly for younger investors—learning to leverage these skills is more broadly useful than just serving women clients. Women represent about 51% of the population of the U.S., but according to Bureau of Labor Statistics data, only 30.8% of personal financial advisors are women. The actual number, however, is likely to be far lower, due to the way professions are categorized—even women bank tellers might be included.[22] Some experts suggest that the true number of women doing advisory work is more like 15%-20%.

The massive transfer of wealth is expected by 2030, just six years from now. That implies that incumbent advisory firms, with a less competitive level of diversity among their advisors—particularly women advisors, have less than three years to get the approach to women and younger investors right, or risk being disrupted by new entrants and those who do.[23]

Understanding gender differences in investing

It isn't controversial that men and women have different preferences.[22] Operationalizing this insight, however, has proven stubbornly difficult. Conversations can feel more effortful and time-consuming for male-socialized advisors. Results are also different. For instance, women tend to trade less, proceed with greater caution, and take more time to make decisions. Therefore, based on what was determined in New York Life Investments' study on women who invest, if advisors can't convince these clients that they understand them, will listen to them, and care about them, they have no hope of keeping them in the fold for the long term.[16]

A successful advisor-client relationship for women is exactly that—a relationship. Therefore, instead of beginning a conversation with risk tolerances, portfolio composition, and assets currently possessed, advisors interested in effectively serving women clients should focus on establishing authentic relationships by engaging in conversations built on trust, respect, understanding, and patience.[16] Topics important to women investors might include investment basics (with little to no jargon), goal setting, building a holistic plan, and generational wealth transfer. Women are also more likely to view investing in terms of its ability to deliver benefits to their families and communities. As a woman investment advisor wrote in an opinion piece in the January 14, 2019, edition of the *New York Times*, "While gendering any ability or trait can make people uncomfortable in these forward-thinking times, which sex seems better equipped to help families nurture and protect their nest egg?"

Women place greater emphasis on personal fit and express a greater demand for holistic advice.

Affluent women are more likely to have an advisor, more likely to pay a premium for personal guidance, and less likely to rely on robo-advisors or digital services. Indeed, half of the women in the McKinsey study reported feeling unprepared to meet their financial goals despite having an advisor.[15] While most don't explicitly look for a woman advisor, a third report that they would only work with an investment professional they trust, while half want a strong personality fit and much prefer to have an advisor who is helpful.

Rather than the hot stock tips that might get their male contemporaries excited, women tend to prefer a holistic approach—forged out of a lot of listening and conversation.[24] All of this can be frustrating, time-consuming, and require an operational change in client communications, presentations, and meeting agendas.

Women emphasize relationships and connections, not abstractions.

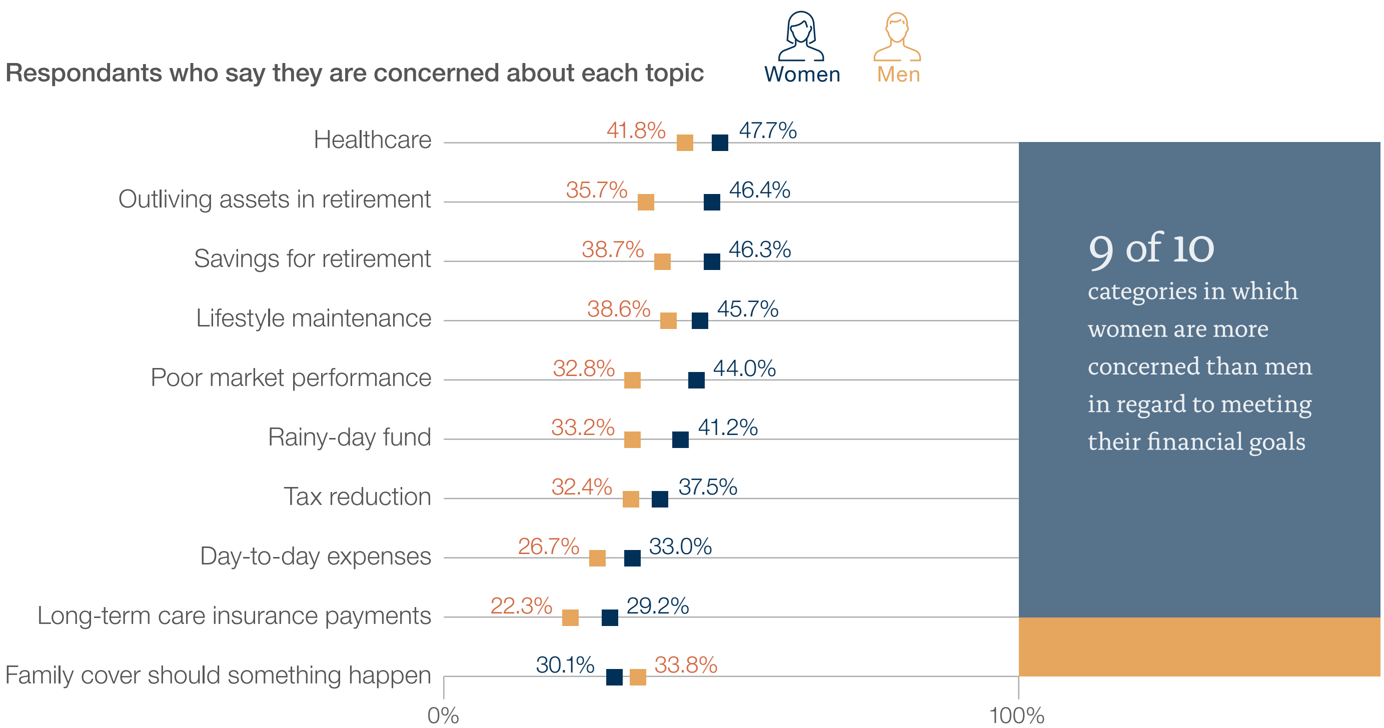
Adri Miller-Heckman, author of the book *The Keys to the Ladies' Room: A New Business Model for Financial Advisors*, suggests that a woman "wants to know you truly care about her and that you are truly interested in helping her achieve the financial place of safety and security she's looking for."[25] Financial planners must adjust their vocabulary to attract women clients. Bombarding potential clients with numbers, returns, and sales figures might appeal to men with the premise that understanding these things will help them beat the market or win in a competition. For women, those messages are likely to be tuned out—especially since they are more interested in developing advisor-client relationships rooted in trust, respect, understanding, communication, and patience.[16]

As one woman advisor observed—in a 2023 Rethinking65 article entitled, *Why Women Leave Their Advisors*—"women are more complex clients than men who generally want to know how much they beat the S&P 500 Index. In my career, I have never had a woman ask me that question."

Women are more interested in life goals than "objective" performance.

A big divide between men and women has to do with what they are concerned about with respect to their financial goals. In fact, McKinsey found that except for ensuring that family is covered should something bad happen, women were far more concerned than men with nine other financial goals.

Women tend to be more concerned than men about meeting their financial goals



Source: McKinsey analysis, Federal Survey of Consumer Finances: $100,000+ in wealth and 25-75 years old; n=9,434 ($100,000+ in investable assets and age 25-75); women n=2,889, men n=6,545, 2022. NOTE: Figures may not sum because of rounding.

Women are less risk-tolerant than men and will trade off returns for safety.

In the McKinsey study, women were nearly ten percentage points less likely than men to say they would be open to taking a big investment risk for the potential of substantial returns. They emphasize protection of capital more than generating returns and are more likely to feel comfortable with passive instead of active investment strategies.

Ironically, although men ***say*** they want superior returns, and that's what motivates their financial decision-making, women generally make better investors than men, by and large. In a landmark 2001 study, Barber and Odean found that "in areas such as finance, men are more overconfident than women. Using account data for over 35,000 households from a large discount brokerage, we analyzed the common stock investments of men and women from February 1991 through January 1997. We document that men trade 45% more than women. Trading reduces men's net returns by 2.65 percentage points a year as opposed to 1.72 percentage points for women."[26] Men were far more likely than women to describe themselves as aggressive or highly aggressive investors, exacerbating the tendency to think they can beat the market.[27]

Moving forward—Breaking down the barriers that hinder women advisors

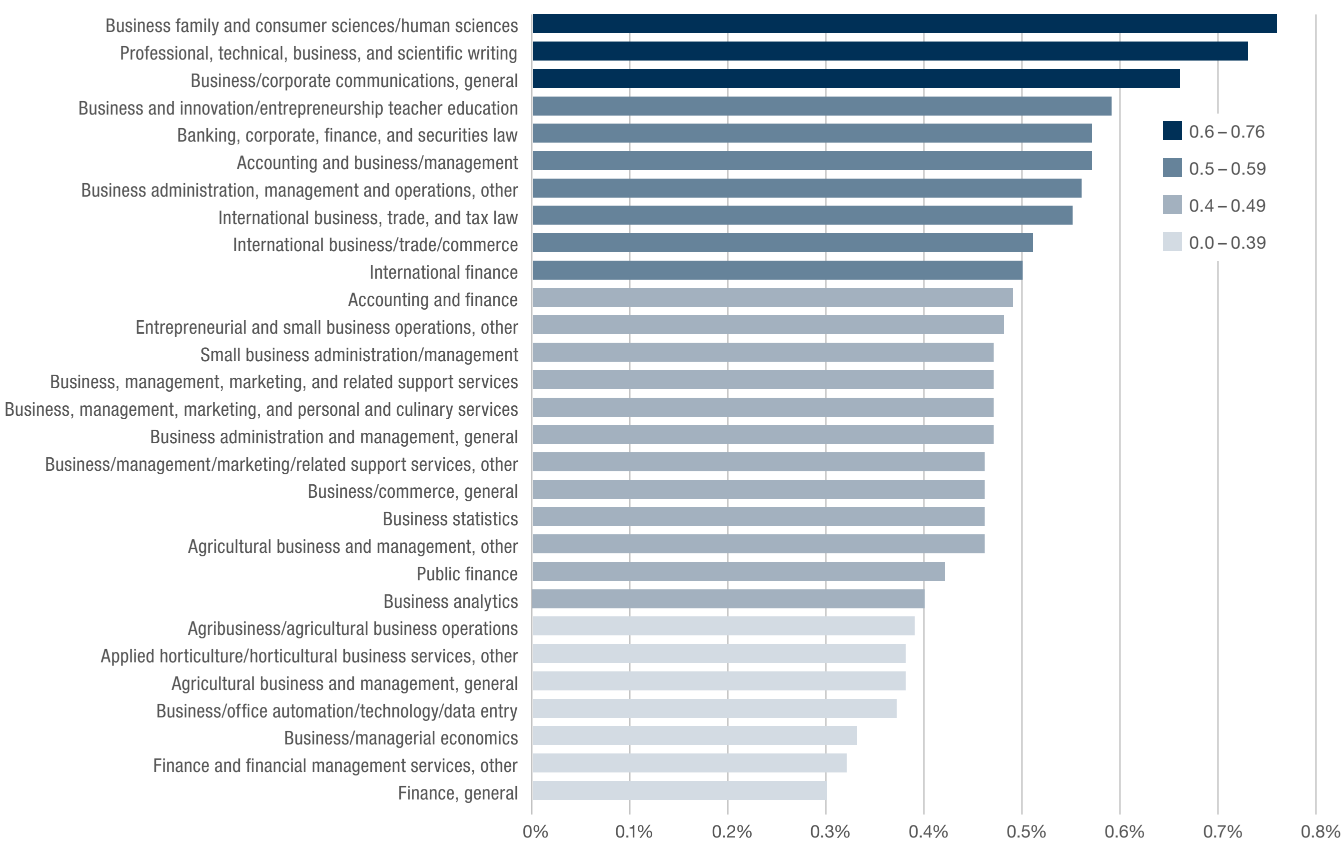
While it seems obvious that bringing more women into financial advisor roles is a sensible way to make sure a firm has the diversity angle covered, this has proven more difficult than it might seem. The literature suggests several reasons why the percentage of women advisors has remained stubbornly low, although progress has been made.[28] As Beth Marcello, Director of Women's Business Development for PNC observes, "We cannot tell women we are the best institution for them to bank with if we are not also the best place for women to work."[29]

In popular culture, the world of finance conjures macho images of swearing, take-no-prisoners traders, or sleek operators selling clients on get-rich-quick schemes. Perhaps for this reason, the pipeline for women financial planners, beginning with what degrees they elect to pursue, is slim. In fact, our study of business-related degrees being earned by women puts degrees in finance near the bottom of all business degrees earned by women. For finance specifically, the percentage of bachelor's degrees conferred to women in 2019-2020 was 2.6% compared to 5.7% for men. In short, there are more than double the number of men that are in the conventional talent pipeline.

> The rough-and-tumble financial world has not traditionally been seen as welcoming to women. The sector could move forward by promoting a more diverse and welcoming image.

Talent pipelines—women business degrees

(Percentage female)



Sources: Department of Education, Rita D. McGrath, Columbia Business School, 2023.

Disparities in wages earned by women advisors as opposed to men

A study by the Institute for Women's Policy came to a sobering conclusion about the relative compensation of men and women in financial services. They found that the median wage for women financial advisors was $953 per week, while that for men was $1,714 per week.[30] There are many explanations—the nature of roles women tend to take, how client accounts are distributed, how quickly women are promoted, and whether women receive access to high-quality leads are all factors—but the numbers don't add up for many potential women advisors.

Cumulative gaps in recruitment, retention, and promotion

Several studies find that even when women enter financial services firms in similar numbers to men, firms either aren't able to retain them or don't promote them at the same rate as men—causing the gap between opportunities at those firms to widen as women's careers progress. As Avivah Wittenberg-Cox points out, increasingly, the point at which women get stuck has to do with retention and promotion, not with recruitment or the glass ceiling.[13]

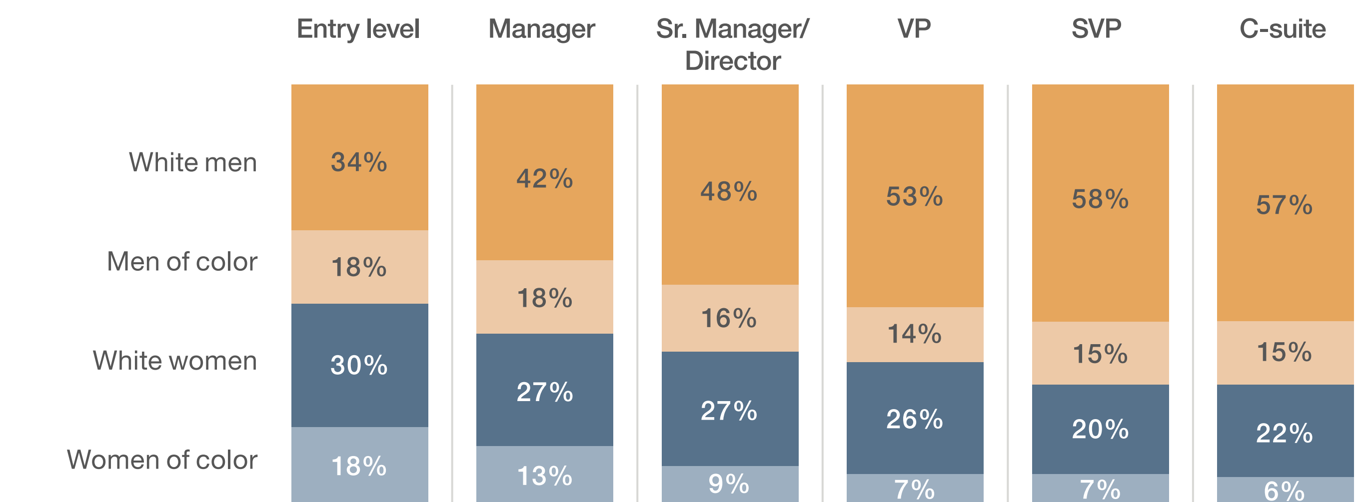
McKinsey and Lean-In.org, in their 2023 study, *Women in the Workplace*, found that while women do indeed get in the door in numbers equivalent to men, problems begin with the very first rung on the corporate ladder. As the following chart shows, women represent 48% of entry-level employees, 40% of managers, 36% of senior managers/directors, 33% of Vice Presidents, 27% of Senior Vice Presidents, and only 28% of the "C" Suite.

Even more unfortunately, their report, which drew on data from over 900 companies and 450,000 people, found that even when women got into leadership roles, they often didn't feel that they belonged there or that the organization was anxious to see them advance. So, they leave.

McKinsey calls this issue "the broken rung" in the first promotion from entry-level to manager. And, as promotions in many organizations are a cumulative process, each subsequent level exacerbates the disparity between men and women. An explanation for the broken rung phenomenon is called "performance bias"—in which women are promoted and evaluated based on performance, while men are instead judged on future potential. Couple this with a tendency to value confidence over empirically demonstrable competence, and it becomes very easy to see why women can be overlooked in a male-dominated decision structure.

Representation in the corporate pipeline by gender and race

Percentage of employees by level at the start of 2023



	Entry level	Manager	Sr. Manager/ Director	VP	SVP	C-suite
2023: Total women	48%	40%	36%	33%	27%	28%
Percentage change from 2015-2023	7%	8%	13%	22%	17%	65%
Percentage point change from 2015-2023	+3%	+3%	+4%	+6%	+4%	+11%

Sources: McKinsey & Company and Lean In.org, Women in the Workplace Study, 2023.

Perceived lack of flexibility and work-life balance

In a 2022 Bank of America survey, 62% of women said schedule flexibility is a top priority vs. 52% of men. In general, financial services is not seen as attractive to those desiring a more holistic combination of work and life—creating further retention issues. As Ammerman and Groysberg point out, “Many women also leave their jobs after realizing that they’re paying the “motherhood penalty”—where they get fewer opportunities and lower wages than childless women or men (even those who are fathers) because they are presumed to be less committed to work.”[31]

Six practices to accelerate diversity

To prepare for the seismic shift that is coming, financial services firms don't have the option of tweaking practices here and there. Time is running out. Therefore, to make change happen at the speed that is necessary, you need to make structural changes—mechanisms that are not at the mercy of individual managers or the goodwill of decision-makers.

The penalty for not embracing a gender-bilingual approach will be steep. 90% of women will, at some point control their household's funds, whether they earn it or inherit it. The great wealth transfer to women is going to happen, representing an enormous opportunity for firms that get this right (and a huge risk for those that don't).

90% of women will at some point control their household's funds, whether they earn it or inherit it.

Further, the government has started to take an interest, declaring that greater diversity in investment managers is now a "material" consideration in that the public has a right to know. The Asset Management Advisory Committee (AMAC) of the Securities and Exchange Commission in a 2021 report scathingly concluded that:

"Put simply, the AMAC believes the evidence is clear that investment performance by diverse asset managers is equal to or greater than the investment performance of firms that lack diversity in ownership and senior leadership, despite differences in size and length of track record. Artificial barriers [such as assets under management (AUM) size and length of track record] have been constructed that when applied—dispositively, directly, and indirectly—exclude women and people of color from the opportunity to compete within the industry. Indeed, peer-reviewed academic research indicates that diversity in life experiences is additive to investment performance." Their proposed remedy? To go from firms voluntarily reporting on their diversity statistics to making such disclosures mandatory. This will very quickly show which firms are getting the gender balance right—and which are not.

If your firm truly wishes to broaden its diversity to have a greater impact, these approaches will both demonstrate your commitment and are much more likely to yield results quickly.

Here are the six structural practices that meet these criteria:

PRACTICE #1

Broaden the pool of candidates you attract and measure the results

A robust finding shows that most people find jobs through personal connections.[32] An equally robust finding is that we tend to forge personal connections with people who are similar to us. If your goal is to find different people than the ones you already know, you need to go beyond the usual suspects in your talent pool. For instance, become more proactive in introducing the career to more diverse candidates by partnering with women's groups and diverse student groups on college campuses to offer internships in wealth management.

You may also consider creating an internal job board to make opportunities visible to potential candidates that you may not have discovered through personal connections or word of mouth. Some organizations also offer temporary rotational positions that allow employees to serve with another part of the organization—potentially even in a different function for a period of time. It is also critical that you collect data on how well you are doing in terms of talent pool broadening. One firm we worked with was shocked upon finally doing the analysis to discover that 35% of their professional services staff were recruited from just three universities—all with similar developmental profiles. Measure this, make it known that you're doing so, and publish the results.

Another point to consider is that before a woman even applies for an open position at your firm, you may unintentionally discourage her. Jobs that are advertised with traditionally "male" qualities (competitive, forceful, aggressive) send an unconscious signal that traits associated with feminine attributes (helpful, supportive, and understanding) are not welcome. Additionally, you may want to actively promote the flexibility offered as an advisor—considering that an advisor may need to meet clients outside of traditional hours—thereby helping dispel the notion that advisors do not have any work-life balance. Therefore, take a look at your job requirements, do an audit, and look to remove any terminology that may come across as off-putting to a woman. There are several commercial services that will allow you to check your ads for gender bias. Also consider searching for talented people who happen to have gone through development experiences that may be different from the usual sources you recruit from. Many of the soft skills appropriate to appealing to women investors are transferable from other professions or experiences.

PRACTICE #2

Rethink your team structures and succession planning practices

Ammerman and Groysberg found that “star women stock analysts face barriers in forming the kinds of relationships that are critical for success because their male colleagues are simply not that willing to spend time with them. It’s a vicious cycle. In situations like this, women’s outlier status is taken as evidence that they are not cut out for the team or the company.” Further, the groundwork for many deals is laid at the golf course, country club, or other spaces where women have traditionally not been participants. Such exclusionary social activities can be explicitly discouraged, and of course, firms can discontinue or refuse to reimburse employees for engaging in them.[31]

Career patterns are also due for a rethink. Traditional career structures have been organized around male life cycles—finding an entry point in your 20s, becoming a high potential in your 30s, taking the reins of leadership in your 40s, and peaking in your 50s and 60s. Given that women tend to bear the brunt of caregiving responsibilities, most heavily in their 30s and 40s, it can make the dedication to work that leads to advancement a major hurdle. With lengthening age spans and multiple-chapter careers, there is no reason that careers must follow a classic ratchet-style pattern. Instead, firms can consider off-ramps and on-ramps—preserving women’s places in the succession planning process.

Rather than a woman leaving her job entirely if she needs to step away, firms can create reduced-hour jobs, provide greater flexibility in the workday, hire women who might be older, keeping women who are not currently working full time as part of the corporate network, offering outlets for altruism, and nurturing women’s ambition by creating a culture of greater belonging. Firms should also insist that men take their full paternity leave, lest actually taking the leave creates stigma.

Making a serious commitment to not penalizing women for their parental responsibility up front will make a firm a more attractive destination relative to firms that do not do this. Firms also might wish to rethink compensation—to increase the benefit to employees who are keeping relationships whole in addition to those who simply bring in revenues. Since women clients are often uncomfortable with commission-oriented *eat-what-you-kill* products, this suggests that the industry is likely to move toward fee only payment structures—which themselves can allow for more equitable compensation for women team members.

A more radical approach that has been taken by many organizations looking to become more agile or nimble is to completely rethink their organizational structures. Your firm could formalize a requirement that teams working on specific opportunities have a diverse composition, that senior people spend a specific amount of time working with more junior people, and that team composition is rotated over the course of a year. For example, at one investment firm we partnered with, work was completely redesigned to eliminate layers of hierarchy. Most projects were pared down to fully-dedicated teams that worked full time on an assignment—but for brief periods. Learning was also formally incorporated into the approach. One full day a week was designated for a learning activity, such as spending time with customers, formal learning, or other kinds of skill development.[33]

PRACTICE #3

Developing and following a process for assigning plum projects

In professional services firms, career success is directly correlated with challenging assignments that help employees grow, directly bring revenue to the firm, and create greater visibility. As with other perks, it is often the case that, without intending to be discriminatory, men are selected for such roles. A straightforward way to address this is to be explicit about what would make an assignment desirable and offer the roles to qualified internal candidates on a prescriptive basis. This allows people to self-select as to their willingness to take this on and provides transparency about the process. It also broadens the set of individuals who might be considered for challenging work.

PRACTICE #4

Create compensation transparency

There is a myth that women don't negotiate for their salaries, which is true when compensation standards are vague. However, as Ammerman and Groysberg note, "When women learn that an offer is negotiable, they negotiate as often as men do. Companies can level the playing field by providing clear information. An online recruiting platform for engineers completely eliminated the gender salary gap for new hires simply by listing the median salary for every position."[31]

PRACTICE #5

Experiment with non-traditional career paths, such as lattices and tours of duty

Adopting more flexible work arrangements and creating alternative paths to advancement have also helped accelerate the progress of women candidates.

We have recently seen a rise in what is sometimes called the "tour of duty" career pattern, in which people sign on for a committed, serious assignment, but part ways with their firms with no hard feelings when the tour is over. And they might come back again when an attractive growth or stretch assignment presents itself. Similarly, more firms are finding it useful to think of horizontal roles that promote growth as nonetheless representing career progress—to the point at which many "C" suite leaders are expected to have diverse functional and geographic experience before being considered for these roles.

These insights could inform the rethinking of human resources (HR) and talent management practices, including adopting talent platforms that support fractional management and executive roles—in addition to permanent positions.

It may also be worth considering training programs for non-finance degree holders. The skills women find most helpful are not necessarily the "hard" skills of detailed financial analysis. Indeed, research suggests that the softer skills of relationship building, empathy, communication, and connection are actually more important to a successful advisory relationship.[34]

To attract more women into the advisory workforce, it's important to expand educational requirements beyond finance and business degrees. The necessary technical knowledge in finance can be effectively taught through targeted training programs. For example, Cheryl Mothes, an advisor at Edward Jones, went from a 20-year-long (and successful) career in nursing to become an advisor—finding it fulfilled her need to help people, while providing more flexibility and financial rewards. Nadine Burns turned to an advisory career after years of working for consumer-packaged goods firms such as Nestle and Hershey. Marguerita M. Cheng went from writing newsletters for English-speaking audiences for an investment firm in Japan to obtaining a certification as a planner and switching careers. One lesson from these stories is that women are often attracted to the role because they see it as being helpful to other people and their families.

PRACTICE #6

Add a social dimension to your interactions with employees and clients

Another practice that firms can proactively engage in is adding social dimension to their interactions—both with women clients and with their women advisors. Women are now forming investing clubs, gathering together to share information, and providing each other with greater confidence in what they are doing.

Advisors might also learn from the success of TikTok social media influencers, such as Tori Dunlap. Dunlap's story, featured in a recent *New York Times* article, is illustrative of the hunger among many women—particularly younger ones—to learn how to invest and to do so in an engaging, social way. The *Times* reports her saying, "Talking about money can be the most boring thing in the world. What money is about is the ability to fund causes you support, travel, and spend as you like, and make—or break—personal relationships without consideration of the financial implications." In this sentence, we see once again that women tend to think of money in terms of what it buys them, not in the abstract. In addition to her social media presence, Dunlap started an app called *Treasury* with two other founders, whose goals are to help her 20- and 30-something followers achieve better financial results. As the *Times* reports, "With its beginner's workshop and portfolio-sharing tools, the app bills itself as a nonjudgmental investing community aimed at women. The goal is to help them overcome feelings common to many would-be investors who are cautious—or even paralyzed—by the idea of jumping into a subject they haven't mastered." "I was the friend every female friend came to," Ms. Dunlap said. "And I also became more committed to managing my own money. I realized I had a passion for teaching women the same thing."

The bottom line: Be “gender bilingual” not gender blind.

Avivah Wittenberg-Cox, an expert on gender dynamics, observes that many leaders claim they are “gender blind.” While this is almost certainly never true, it is also not very productive. Instead, she suggests, adopting the concept of becoming gender bilingual is much more helpful. This involves deeply understanding gender differences and designing systems that will appeal to and motivate those of other genders.[35]

Achieving this will require revisiting many standard corporate career practices. For instance, it is commonplace to use techniques, such as 360-degree feedback, as part of an assessment of leadership potential. Many of those evaluations and the decisions that are made using them are based on historical models of leadership, which are mostly male.

Often, the corporate response is to try to “fix” the women, evaluating them and training them on behaviors that men more commonly display. Instead, consider creating evaluations and other practices that are based on a deep understanding of the differences between the genders and that permit different paths to creating career progress. Researchers at Stanford, for instance, propose training evaluative managers on what they are trying to accomplish and making them aware of how gender stereotypes may enter into their calculations.

The hard-headed investment superstar Ray Dalio, founder of Bridgewater, has emphasized the importance of new skills in the workplace–emphasizing emotional intelligence, working as collectives, and humanism, rather than individual achievement as a driver of success. As an alternative to conventional management assessments, he has commissioned the creation of new software that allows members of teams to increase both their self-awareness and understanding of one another. It’s called “PrinciplesUs” and promises to diversify and enrich how team members interact with each other.

This is just another example of successful leaders recognizing that old models of success are unlikely to continue to drive performance in the future and adopting new practices that take into account new realities.

Overcoming gender blindspots: The countdown is on

We've been talking about the importance of creating greater gender diversity in the financial advice sector for literally decades. The changes leading up to the inflection point—the great wealth transfer to women—have been gradual. The responses of advisory firms navigating this change have been slow. But the disruption is coming.

For example, certain wealth management firms have partnered with Columbia University to offer programs offering training to become a credentialed holistic financial coach. These types of programs have contributed to a 46% increase, year-over-year, in women field leaders at numerous offices around the country. Having such a strong bench in place will position firms such as these to be ready when the great wealth transfer takes place.

Wealth management firms also face classic disruptive forces. As they tend to focus on the high end of the market, offering costly advisory services, there are incentives for both new entrants and a new generation of customers to explore do-it-yourself, technologically enabled, and less expensive options. Innovative entrants have created enticing new offers, including zero brokerage fees, fractional shares, and low initial investment requirements. And, of course, the disruption that AI represents is yet to be understood. A plethora of new technology-based entrants are also nibbling away at the offerings of traditional players, using technology to accomplish what is more expensive and slower when humans are involved. Apps such as Tori Dunlap's *Treasury* have already demonstrated their appeal to investors, and largely ignored by traditional incumbents.

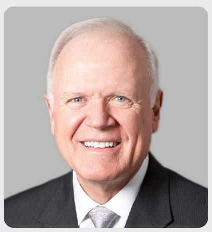
Those advisory firms that do begin to put practices in place now—to attract women clients and develop deeper relationships, as well as recruit, retain, and develop women advisors to become more "gender bilingual"—will reap the rewards.

About the authors

Rita D. McGrath

Academic Director and Faculty Member
Columbia Business School

Rita is a best-selling author, sought-after speaker, and an American strategic management scholar and professor of management at Columbia Business School. She is one of the world's top experts on strategy and innovation and is consistently ranked among the top 10 management thinkers in the world.



William M. Klepper

Academic Director and Adjunct Professor
Columbia Business School

Bill joined Columbia Business School in 1996 after over thirty years as a general manager in higher education. He is a management professor who teaches Executive Leadership in the EMBA program and serves as the Faculty Director of the partnership with the Financial Times/Outstanding Directors Exchange on corporate governance. His teaching and research interests are in the areas of Executive Learning, Strategic Leadership, and Corporate Governance.

Chandler T. Wilson

Founder of bridge_ci

Chandler is the founder of bridge_ci, which helps corporates and financial firms combine world-class machine learning, open-source intelligence (OSINT), and alternative data to develop strategies and insights. Before bridge_ci, he pioneered the first use of alternative data and machine intelligence at multiple U.S. and EU institutions.

REFERENCES

1. P. Robinson & M. Sen, *“Diversity in the Asset Management Industry: On the Right Track, But at the Wrong Pace,”* Willis Towers Watson White Paper, 2023.
2. D. Johnson*, “The History of the Financial Planning Profession,”* Part 1, Vol. 2023: ALM ThinkAdvisor, 2021.
3. M. Brenan, *“Record-High 56% of U.S. Women Prefer Working to Homemaking,”* Gallup, 10/19.
4. Criado Perez, *“Invisible Women: Data Bias in a World Designed for Men,”* New York: Harry N. Abrams, 2021.
5. E. Erikson, *“Identity, Youth, and Crisis,”* New York: W. W. Norton, 1968.
6. L. Kohlberg, *“The Philosophy of Moral Development,”* San Francisco: Harper & Row, 1981.
7. W. Perry, *“Forms of Intellectual and Ethical Development in the College Years,”* New York: Holt, Rinehart, and Winston, 1968.
8. Public Broadcasting System, *“Carol Gilligan Interview: Challenging Male-Centered Psychology,”* Vol. 2023. Kunhardt Film Foundation, 2023.
9. C. Gilligan, *“In A Different Voice: Psychological Theory and Women’s Development,”* Boston, MA: Harvard University Press, 1982.
10. L. Balachandra, T. Briggs, K. Eddleston, and C. Brush, *“Don’t Pitch Like a Girl: How Gender Stereotypes Influence Investor Decisions,”* Entrepreneurship: Theory & Practice, 2019.
11. Harvard Business Review, *“For Female Founders, Fundraising Only From Female VCs Comes at a Cost,”* 2/1/23; *“Male and Female Entrepreneurs Get Asked Different Questions by VCs-and it Affects How Much Funding They Get,”* 6/27/17; and *“Women-Led Startups Received Just 2.3% of VC Funding in 2020,”* 2/25/21.
12. A. Wittenberg-Cox, *“4 Phases of Women’s Careers: Becoming Gender Bilingual,”* 2016.
13. A.S. Grove, *“Surviving a 10X Force,”* Strategy & Leadership, 1997.
14. P. Baghai, O. Howard, L. Prakash, and J. Zucker, *“Women as the Next Wave of Growth in U.S. Wealth Management,”* McKinsey Insights, 2020.
15. B.W. Pelham, *“The Husband-Older Age Gap in Marriage is Associated with Selective Fitness,”* Journal of Personality and Social Psychology, 2021.
16. New York Life Investments’ market research study, 2023. The research data provided was performed by New York Life Investments and RTi Research from March through June 2023. Quantitative results were based on survey questions asked of 881 respondents (794 women and 87 men), who were 25+ years of age, had total household investable assets of $100k+, and were currently working with a financial professional. Qualitative results were based on focus group sessions that included women investors ages 30+, working full-time, who share or have a significant role in the household financial/investment decision-making process, with total household investable assets of $250k+, and currently working with a financial professional.
17. J. Turner, *“Employees Seek Personal Value and Purpose at Work,”* Be Prepared to Deliver, Vol. 2023: Gartner Group, 2023.
18. A. Gluck, *“Many Advisors in Their 50s and 60s Are at a Technological Disadvantage, Creating Opportunity for Advisors in Their 20s, 30s, and 40s,”* Advisors4Advisors, 2012.
19. L. Viceira, P. Nolan, T. Rogers, and A. Runco, *“Could the Big Technology Companies of Today Be the Financial Advisors of Tomorrow?,”* MIT Sloan Management Review, 2018.
20. W.M. Klepper, R.G. McGrath, and C.T. Wilson, *“Financial Advisor Success: From Planning to Flowing,”* Columbia University, 2023.
21. C. Terwiesch, and N. Siggelkow, *“Connected Strategy: Building Continuous Customer Relationships for Competitive Advantage,”* Harvard Business School Press Books, 2019.
22. M.D. Riggs, *“What Women Want,”* Employee Benefit Adviser, 2012.
23. J. Michie and C. Oughton, *“Measuring Corporate Diversity in Financial Services: A Diversity Index,”* International Review of Applied Economics, 2022.
24. J. Cornfield, *“What Women Want from Advisors,”* Plan Adviser News, 2014.
25. A. Miller-Heckman, *“The Keys to the Ladies’ Room: A New Business Model for Financial Advisors,”* New York: AuthorHouse, 2012.
26. B.M. Barber and T. Odean, *“Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investment,”* The Quarterly Journal of Economics, 2001.
27. T. Maurer, *“Why Women Are Better (Investors) Than Men,”* Vol. 2023, New York: Forbes, 2023.
28. S. Garmhausen, *“Women Advisors Are Reshaping Wealth Management,”* Barron’s, 2023.
29. J. Clempner and T. Moynihan, *“Women in Financial Services: A Panoramic Approach,”* Oliver Wyman, 2020.
30. A. Kurtz, *“Financial Advisors Have the Worst Wage Gap for Women,”* Fortune.com, 2017.
31. C. Ammerman and B. Groysberg, *“How to Close the Gender Gap,”* Harvard Business Review, 2021.
32. M. Granovetter, *“Getting a Job: A Study of Contacts and Careers,”* Cambridge: Harvard University Press, 1974.
33. R. McGrath and R. Charan, *“The Permissionless Corporation,”* Harvard Business Review, 2023.
34. S. Krawcheck, “Empowering Women in Uncertain Times,” Journal of Financial Planning, 2022.
35. A. Wittenberg-Cox and A. Maitland, *“Why Women Mean Business: Understanding the Emergence of Our Next Economic Revolution,”* San Francisco, CA: Jossey-Bass, 2008.

INDEX DEFINITION

The S&P 500 Index is an unmanaged index that is widely regarded as the standard for measuring large-cap U.S. stock market performance.

IMPORTANT DISCLOSURES

This material has been developed to meet the needs of financial intermediaries.

The views expressed herein are from Rita D. McGrath, William M. Klepper, and Chandler T. Wilson and do not necessarily reflect the views of New York Life Investments. Rita D. McGrath, William M. Klepper, and Chandler T. Wilson are not affiliated with New York Life Insurance Company or its subsidiaries.

This material contains the opinions of its authors but not necessarily those of New York Life Investments or its affiliates. It is distributed for informational purposes only and is not intended to constitute the giving of advice or the making of any recommendation to purchase a product. The opinions expressed herein are subject to change without notice.

NEW YORK LIFE INVESTMENTS

For more information
800-624-6782
newyorklifeinvestments.com

6289135 RIS043-24 RIS38w-06/24