



WOMEN, SOCIALLY RESPONSIBLE INVESTING AND YOU

For a financial advisor-entrepreneur who wants to build a business, it is essential to identify growing markets. In this article, we explore two rapidly growing and often-overlapping markets that are just waiting for you to grow your business with – women and socially responsible investing.

What is the connection between women and SRI?

Simply put, women control more than half the wealth in the U.S., and they are more interested in philanthropy and social welfare than men are.

The statistics are striking.

- An estimated 60% of socially conscious investors are women, and they have the wealth and income to invest based on their values. ¹
- Women control 51.3% of personal wealth in the United States, according to a new survey by the Federal Reserve Board.
- Women control \$12 trillion of the overall \$18.4 trillion in global consumer spending, and that share is expected to grow to \$15 trillion by 2014. This is according to a new book *Women Want More: How to Capture Your Share of the World's Largest, Fastest Growing Market.*²
- Women own or co-own 40% of U.S. businesses, and women-owned businesses are growing at twice the rate of all U.S. companies.

How do women clients differ from the men clients you work with?

Just as women come in all ages, sizes and shapes, so do their financial and investing personalities. However, formal research as well as practical observations can offer some reasonable generalizations about what women look for in a financial advisor.

While women have enjoyed legal equality with men for decades, in most families it is assumed that the man will manage the investments. That means, for a widow or someone in a divorce situation, the woman may not be as knowledgeable or confident about money than her male counterpart.

Overall, it is believed that women are more interested in planning and thinking ahead than men are. That could translate into a woman being more interested in long-term care insurance, when a man might be focusing on a riskier element in his financial life.

In a recent survey, researchers found that single women held 43% of their wealth in risky assets while single men held 51%.³ As their wealth increased, women devoted less money to risky assets than men did.

Attitude toward risk is a key factor. "...[T]he willingness to take risk varied significantly between men and women. A majority of the women in the study preferred taking average or below-average risks, whereas about half of the men preferred taking above-average or substantial investment risks."³

There are also studies that have shown that women prefer to invest in large-cap, slower-growth companies and that men prefer riskier, small-cap firms with big upsides.

One advisor sees a generational aspect to working with women. "Younger women are more attuned to knowing that they might have to support themselves. Older women have been more centered on family, and did not expect the marriage to deteriorate. Older women are ill prepared for death and divorce."

Other observations:

- Women are looking for a "relationship sell," not specific products. They want an advisor who will focus on the architecture of the situation and their solutions, not necessarily specific funds.
- Women are more communicative, and they want a more detailed conversation with the advisor. They want to know, "why do I need that?" They want a deeper dialogue and complete explanation for long-range planning issues. They don't want to make assumptions.

There are advisors who deliberately specialize in creating a female client base. However, this single-niche focus is not essential to building a successful practice where women are an important component.

For women, it is believed that the advisor needs to be "emotionally smart," recognizing that financial planning decisions are emotional and that the planning process has to include more than facts and figures.

With a woman client, you may have an opportunity to develop a mutually profitable and valuable long-term relationship. At the end of the day, women, overall, want to say, "My advisor understands me. He listened to what I was concerned about."

New Developments in Sustainable and Socially Responsible Investing

The picture is changing rapidly in the area of sustainable and socially responsible investing. Consider these three significant developments.

First, investors increasingly recognize that returns from SRI funds are competitive. Experts say that the best way to compare returns is to track two key SRI indexes: Dow Jones Sustainability World Index (DJSI World) and the FTSE KLD 400 Social Index (KLD 400, formerly the Domini Social 400 Index). For this year through August 31st, the DJSI World Index returned 24.64% versus 20.12% for the MSCI World. Made up of U.S. companies, the KLD 400 is up 22.58% for 2009 through September 30th versus 19.26% for the Standard & Poor's 500 Index.

Second, a more enlightened screening process has emerged for SRI. In the early days, funds took a negative approach to screen out and eliminate "sin stocks" like tobacco and alcohol companies. Today, a negative screen might be used initially, but investment managers are largely focused on identifying positives or values that investors want to support.

Socially conscious investors now can select from a complete menu of investment criteria. ESG – environmental, social and governance – factors are considered carefully in SRI fund management. Fund managers will look for corporations that offer outstanding opportunities to women or encourage diversity. "Green" funds are readily available through actively managed managers or exchange-traded funds (ETFs).

Finally, fund managers and other SRI professionals now recognize the incredible range of values that are important to people who want to invest in a way that is consistent with their moral, religious and social beliefs.

One way to look at this diverse range is geographic. In the southern Bible Belt, advisors will find that many clients want funds that are in line with religious beliefs or funds that are invested in pro-family companies. Elsewhere, SRI investors would be less focused on religious and social factors and more focused on protecting the environment. This last regional aspect to SRI can benefit an advisor at the local level; knowing the values within your community can help provide prospecting opportunities, as noted later in this article.

For more detailed information on women and investing, check the FINRA Investor Education web site. The joint Iowa-Ohio State research Gender Differences in Investment Behavior can be found at: www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p118417.pdf

A Marketing Plan to Help Attract Women and Socially Responsible Investors

Are you inspired to focus more directly on women clients, especially those who want to be socially responsible investors?

A two-step strategy that can turn this focus into expanded business for you include:

#1 Develop a message that includes basic information and an investing rationale.

Take some time to “learn your craft.” That is, get on top of what is available for a socially responsible investor. Be aware of the kinds of screens that fund managers use to identify potential investments. Think about the characteristics of your local community and which of the SRI values that will be of most interest to your target audience.

Then make sure you have at least three solid sales points that are incorporated into every presentation. One essential point is the performance history of SRI funds.

#2 Then find your audience, prospects and ultimately clients.

The names are as close as your laptop. Just go online to identify local women’s groups and socially-conscious groups like churches. Then start calling these groups to schedule presentations.

What kinds of groups? If you are in a location that is sensitive to environmental issues, find every environmental organization in the area. Call garden clubs; ask to be a speaker at a regular meeting, or schedule a mid-day coffee or lunch.

In the south, you might focus on the religious component. Seek out meetings through churches and Christian groups, for example. Dearborn, Michigan is home to a huge Muslim population, and there are funds which accommodate to that religion’s beliefs.

A Growth Opportunity for Advisors

“Women say that they want advisors and services that recognize their need for short-term simplicity and long-term stability,” according to the authors of *Women Want More*.

And women want to “give back.”

“[They] will increasingly assess companies and brands in terms of values and of commitment to a community they care about.”²

Women have already made incredible strides in controlling more wealth and earning competitive incomes. They care about where their investment dollars go. And they want advisors who are sensitive to their needs.

¹ *Preparing for the "Green Wave."* Envestnet-March2008.

² *Women Want More: How to Capture Your Share of the World's Largest, Fastest Growing Market* (HarperBusiness, 2009) by Michael Silverstein, Kate Sayre and John Butman.

³ *Gender Differences in Investment Behavior, Milestone 3 Report*, August 31, 2006, page 2. Available on the FINRA Education web site.

ENVESTNET[®]

Client Services: 888-612-9300 clientservices@investnet.com

THE INFORMATION, ANALYSIS, AND OPINIONS EXPRESSED HEREIN ARE FOR GENERAL AND EDUCATIONAL PURPOSES ONLY. NOTHING CONTAINED IN THIS WHITE PAPER IS INTENDED TO CONSTITUTE LEGAL, TAX, ACCOUNTING, SECURITIES, OR INVESTMENT ADVICE, NOR AN OPINION REGARDING THE APPROPRIATENESS OF ANY INVESTMENT, NOR A SOLICITATION OF ANY TYPE. ALL INVESTMENTS CARRY A CERTAIN RISK, AND THERE IS NO ASSURANCE THAT AN INVESTMENT WILL PROVIDE POSITIVE PERFORMANCE OVER ANY PERIOD OF TIME. INVESTORS SHOULD CONSULT WITH AN INVESTMENT ADVISOR TO DETERMINE THE APPROPRIATE INVESTMENT VEHICLE. INVESTMENT DECISIONS SHOULD ALWAYS BE MADE BASED ON THE INVESTOR'S SPECIFIC FINANCIAL NEEDS AND OBJECTIVES, GOALS, TIME HORIZON AND RISK TOLERANCE. THE STATEMENTS HEREIN ARE BASED UPON THE OPINIONS OF ENVESTNET AND THIRD PARTY SOURCES. INFORMATION OBTAINED FROM THIRD PARTY RESOURCES ARE BELIEVED TO BE RELIABLE BUT NOT GUARANTEED. ALL OPINIONS AND VIEWS CONSTITUTE OUR JUDGMENTS AS OF THE DATE OF WRITING AND ARE SUBJECT TO CHANGE AT ANY TIME WITHOUT NOTICE. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

FOR FINANCIAL ADVISOR USE ONLY.

EPMS_INSERT_10.09