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**Who Should Read This Insight:**
Financial advisors, other professionals who work closely with and provide consultation to financial advisors (i.e., home office personnel, managers/supervisors, practice management and professional development coaches, and mutual fund and annuity wholesalers).

**Institute Research Agenda Topic:**
Understanding differences in consumer behavior and decision-making.

Definitions of **bolded key terms** are at the end of this article.

**MATTHEW SOMMER,**
*is a Personal Financial Planning doctoral candidate at Kansas State University. His research interests include portfolio withdrawal behaviors, wealth transfer intentions, and the dynamics of client-advisor relationships. He is scheduled to graduate in December 2020. In addition, he holds the CFP®, CFA®, and CPWA® designations.*

**Authors, Titles and Publication Dates of the Articles Addressed in the Insight**
*Sommer, Matthew, Han Na Lim, and Maurice MacDonald. 2018. "Gender Bias and Practice Profiles in the Selection of a Financial Adviser." Journal of Financial Planning 31 (10): 38–47. https://academyfinancial.org/resources/Documents/Proceedings/2018/G3%20Sommer,%20Lim%20and%20MacDonald.pdf*

# *Insight:* DO INDIVIDUALS SELECT SIMILAR GENDER ADVISORS? AND, WHAT ADVISOR ATTRIBUTES ARE MOST IMPORTANT TO MALE AND FEMALE CLIENTS?

## IDEAS IN THE INSIGHT YOU CAN PUT INTO ACTION

This study's primary findings are, first, that individuals do not select advisors based on gender but rather on the advisor's attributes. Second, female investors prefer a financial planning rather than an investment advisory approach. Advisors who specialize in portfolio construction and investment analytics might consider adding financial planning to their core menu of offerings to attract more female clients. And, finally, respondents overwhelmingly preferred to work with a team rather than with a sole practitioner and preferred that the team include both male and female leadership. This finding suggests that individuals value diversity; financial advisors might reevaluate how their teams are presently constructed and identify any gaps in team member attributes.

## PRINCIPAL INSIGHTS

According to the Bureau of Labor Statistics, only 32% of financial advisors are women, and yet women control 51% of the personal wealth in the United States. In total, women exercise decision-making influence over $11.2 trillion, with approximately half of that amount managed solely by women. Despite these impressive statistics, women represent an untapped opportunity: 53% of women do not have a financial advisor. Of the women who do have an advisor, 67% believe they are misunderstood by their current financial advisor. Many financial services firms have recognized this disparity and have responded by launching efforts to attract more women, both as clients and as advisors.

According to theories introduced by social scientists, individuals tend to be attracted to others who are similar to themselves. The reason for this attraction is that individuals seek a logical and consistent view of the world and favor stimuli that reinforces these views. Put another way, individuals similar to us satisfy these motives, generating positive feelings about the other person. These similarities might reflect attitudes, beliefs, and values. Other similarities could include demographic characteristics such as occupation, income, race, and of course gender. These theories suggest that men would prefer a male advisor whereas women would prefer a female advisor, so adding more women to the profession would be a prerequisite to attracting more female clients.

The purpose of this study was two-fold. First, it sought to determine if individuals display a gender bias in the selection of a financial advisor. In other words, do men prefer to work with male financial advisors and do women prefer to work with female financial advisors? Second, the study investigated what attributes retirement investors seek when selecting a financial advisor, and whether these attributes are different for male and female investors.

The study administered a survey in 2018 to an online sample of 1,000 U.S. residents between ages 25 and 85. The sample consisted of 400 men and 400 women, each with investable assets between $250,000 and $1 million; and 100 men and 100 women, each with investable assets more than $1 million. It was further limited to only those respondents with a net worth (excluding the primary residence) of at least $250,000 and who currently hired, or would be willing to hire, an advisor within the next two years.

One of the major considerations for this survey was to obscure the true nature of the study. If respondents knew in advance the primary purpose was to investigate gender bias, answers might have been tainted by the respondents' desire to give what they perceived as the correct answer. To avoid this possibility, each survey respondent was presented two advisor profiles—one was male and the other was female. The advisors' names, Paul and Barbara, were shown in the profile so that respondents would notice the advisor's gender. Half of the sample, randomly chosen, was presented a profile with Paul as the Investment Advisor and Barbara as the Financial Planner. The other half was presented the same profiles, with the names and job titles switched: Barbara was the Investment Advisor and Paul was the Financial Planner.

Respondents were asked to pick the advisor they would prefer to work with: Paul or Barbara. In addition, respondents were asked to select from a list of 14 attributes those that most closely described financial planners and those that most closely described investment advisors. Finally, respondents were asked to choose between a financial planner and an investment advisor based on the attributes that they consider most important: advisor soft skills (i.e., the ability to communicate and to be a good listener), advisor demeanor, and advisor proficiency.

The investment advisor profile described a practitioner who provides each client with a "personalized investment portfolio for an annual fee." The profile explained that advisor uses "state-of-the-art asset allocation methodology" and "a carefully screened list of options approved by his/her global investment committee." Clients of this advisor receive "regular reporting that includes performance history and how the performance compares to an appropriate benchmark." The financial planner profile described a practitioner who provides each client with a "financial plan that may include recommendations for asset allocation, retirement planning, insurance assessment, college savings, and wealth transfer." In addition to collecting financial data, this advisor "learns about each client's family history and relationships, what money means to clients, and the values and legacy each client wishes to pass down to their heirs." Similar to the investment advisor, these services are provided "for an annual fee."

The final sample contained 1,011 responses; 506 of the respondents were women and 505 were men. The sample was distributed fairly evenly between the ages of 25 and 80. About eight in ten (79%) of the respondents currently worked with a financial advisor. Average investable assets were $971,000. About 93% of respondents said that they were the lead financial decision-maker for their households (62% were the primary decision-maker themselves, and 31% shared responsibility with their spouse).

The study found no evidence of gender bias. In fact, 51% of respondents chose a same-gender advisor and 49% chose a different gender advisor. So, if no evidence of gender bias was found, what did the study uncover? First, female investors preferred a financial planner to an investment advisor (60% versus 40%) while male investors seemed indifferent (52% versus 48%). Second, both male and female investors associated different attributes with a financial planner and an investment advisor. For example, women more strongly associated the communication skills of being collaborative and easy to talk to with a financial planner, while men described financial planners as being creative and academic. On the other hand, women associated the words “confident” and “tech savvy” with an investment advisor whereas men described financial advisors as empathetic, friendly, and with clients similar to themselves. Finally, investors who valued soft skills were much more likely to hire a financial planner while investors who valued advisor demeanor (i.e., advisors who have leadership abilities and academic achievements) and advisor proficiency (i.e., advisors who are rigorous and hard-working) were much more likely to hire an investment advisor.

Based on these results, advisors have four immediate action steps to consider. First, it is important for them to realize and deliver attributes that investors most desire and seek, regardless of their practice type. For example, neither men nor women associated collaboration with an investment advisor approach. People in general value this trait, however, and investment advisors should be sure to welcome client input into the decision-making process.

The second action step to consider is the opportunity to pursue new clients, particularly among opposite-gender investors. As this research points out, men and women will not likely be predisposed to work with a similar-gender advisor. Advisors who have been narrowing their marketing efforts to target same-gender prospects might wish to reconsider this strategy and broaden their outreach.

Third, advisors should examine should examine the depth and breadth of their advisory team’s capabilities. For investment advisor practices, women are more likely to seek out a financial planning relationship, and teams might consider expanding their capabilities to include these services. For teams that already offered both investment advisor and financial planning services, advisor teams might consider assessing both individual member and collective skill sets to ensure the attributes most highly sought after by investors are reflected in their client engagement model.

Finally, one of the more interesting results was that 65% of respondents would like to work with a team with both male and female leadership. Other research has found that advisors with $100 million or more in individual assets under management are more likely to operate in teams than as solo practitioners, and the highest-performing teams bring together a mix of advisors with different backgrounds, strengths, expertise, and interests.

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**KEY TERMS ARE SOURCED FROM THE ALLIANCE FOR LIFETIME INCOME’S ANNUITIES LANGUAGE GLOSSARY AND INVESTOPEDIA**

**annuity:** *A financial product that can offer protected lifetime income and even potentially grow your money.*
**financial advisor:** *A qualified person who can help you understand your options and make financial decisions to work toward your financial goals.*
**financial planner:** *A financial planner is a qualified investment professional who helps individuals and corporations meet their long-term financial objectives.*
**investment advisor:** *An investment advisor is any person or group that makes investment recommendations or conducts securities analysis in return for a fee, whether through direct management of clients’ assets or by way of written publications.*
**retirement investor:** *Someone who invests his or her own retirement savings, regardless of type.*

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