

The Just Word Podcast

Transcript of Episode 23 – Women in the Investing World

Guest: Paulette Filion

Pat Bolland 00:00

Paulette Filion joins me from StrategyMarketing.ca. Paulette, a pleasure to meet you in the first case, but walk me through this whole concept of women not feeling they get respect.

Paulette Filion 00:12

Well, for the most part, for years and years and years of the financial industry basically dealt mostly with men, in terms of the finance, the family finances, and women always fell to the side, they weren't really considered the primary client, the primary client was the man. And ... but women are more and more, through a number of ways earning their own income, acquiring the income from the family, inheriting, are becoming financial powerhouses. And they are becoming more important as the primary client, especially as baby boomer men start dying off, and the women get control of the family assets well before the money's ever given to the kids. And so women have noticed that it's all about return, it's all about the holdings. It's all about asset allocation, which is not the way women think about money, especially long term assets. And it's important that the industry start paying attention to how women want to be dealt with as financial clients. And ... because they're going to inherit an awful lot of money and control an awful lot of money.

Pat Bolland 01:35

Okay, we need to unpack that a little bit. And let's do the history lesson first, because in one of your papers, and you've got several papers, and I'm sure the audience would love to see those as well, and maybe we'll attach those but on the same, at the same time, you're talking about this going back as far as the 1960s with the ability to, and availability, of birth control. I didn't make that connection. But after I read through your paper, I went, Wow, that's cool.

Paulette Filion 02:03

Well, I mean, it started there, because women started getting control over their lives. I mean, before that, in my mother's time, and probably your mother's time, their options were to get married, have kids and have a man take care of them. But as they began to control more of themselves, of their lives, of getting jobs and getting an education, of getting control over whether or not they had children, that's when women started thinking, 'Wait a minute, I want things my way, not necessarily, I don't want my only option to be getting married, and having children to be financially secure.'

Pat Bolland 02:43

Right. Okay, so then what are the numbers now, and I don't need a lot of numbers just for context. How powerful are women in the industry,

Paulette Filion 02:56

Women currently control about over a third of all financial assets ... that's directly control. That's not women who are part of a couple, but women who control directly. In Canada, almost half of all assets over \$500,000 are controlled by women. That's an awful lot. And there's trillions of dollars, in Canada ... \$1.1 trillion women control when applied in Canada, and they're 62% of the employment rate in Canada. 1/3 of all wives out earn their husbands. There's an awful lot of financial assets that are available to women, controlled by women. And women want a better experience when it comes to managing those assets.

Pat Bolland 03:57

Those are substantial numbers. In your work, why do you think women feel not respected? Or is there language in the financial industry that's disrespectful?

Paulette Filion 04:12

Well, there's, there's a little of both. In terms of the language that's not respectful. I'll start with that one. There was a time and it may be that still exists where women are ... There's fear applied to why women need to get a financial advisor and take care of their financial assets. Please give me your money because otherwise you'll be eating cat food when you're retired kind of thing. And that was for a long, long time, the way that the financial industry marketed to women. While it it's moved away a little bit from that now. The greatest show of respect for any person, male or female. is to listen to what it is that's important to them. And in delivering on that. So if women say, I want to be, I want to take care of my kids, when I, later in life, I want to make sure that they own a home, I want to make sure that I can travel when I'm retired, that speaks to goals and not necessarily asset allocation. So when the conversation moves are ... okay, you want to travel the world when you retire. But let's look at how your assets are diversified across the world. And let your rate of return so far is you know XYZ and rate of inflation is this much and that ... Women go 'Well how to do the two connect? Like I don't understand how getting a rate of return of 7% or 8% matches up with what's important to me'. And that's it's that, that lack of respect towards what a, how a client relates to money, that is disrespectful to women. And it doesn't require an overhaul of the the way the financial industry manages money, or in the wave, the financial industry reports on money. But it is an understanding that women need to see how what they're doing today, what they're planning to do tomorrow with the money. is going to help them actually, you know, have enough money to be in a nursing home, have enough money to take care of their kids, have enough money to help or buy a house. And it's the bridging the responsibility of financial advisors is to bridge the divide, to say, here's how what we're doing is going to help you get to where you want to go. And that has not happened. And is not happening, for the most part. It doesn't mean that every advisor doesn't do a good job absolute. Excuse me. Absolutely. Some advisors do exceptional jobs. But for the most part, the industry has just not been attentive, I guess, to understanding how women relate to money and how they want to be served.

Pat Bolland 07:21

Your papers point to things like women being afraid of risk, or women don't understand money, or not interested in money matters, that kind of thing. How true is that?

Paulette Filion 07:33

That's not true at all. But But having said that, if women don't understand the basics of investing, if they don't understand why they hold a certain stock or a certain fund, or a certain, then they they do get concerned about risk. But research has also shown that when women understand what they're investing in, and why they're they're investing in these particular securities, they have the same risk profile as men. So it's not, and I often use the example of, one of the, the things that women asked for is how safe is my money. I don't want to lose what I give you. We don't have to blow the lights out in terms of rate of return. But I want to make sure that I don't lose what I've got. And the industry translates that as women are risk averse. Yet every wealthy man that I've ever met, has always said to their advisor, don't lose what I give you. And yet they're considered sophisticated investors. So there's where the disconnect is, is the minute you hear it from a woman you translate a differently than what you hear from a man.

Pat Bolland 09:02

Yeah, but you made a point earlier that I think is interesting, because it sounded like women don't set money as a goal, whether its rate of return or anything else, but they look at money as something different .. life choices, life successes, those kinds of things. Is that what you're trying to say?

Paulette Filion 09:20

Yes, they look at achieving goals and and the industry is certainly speaking that language it speaks to achieving goals later in life. But what they report on what they talk about, what they the way they think about money is all about the technical aspects of investing rather than in achieving goals. The industry rewards advisors for, you know, getting more assets and getting more clients and getting bigger clients, rather than having clients achieve that goals that they want to achieve.

Pat Bolland 10:03

You also point ... and that sounds like it plays right into concepts like having a financial plan. Do women generally have a financial plan?

Paulette Filion 10:12

Women instinctively understand plans in general, and financial plans in particular, but when the financial plan is a ream of numbers, again, you know, pages and pages of probabilities and possibilities and inflation this and growth this and ... then it doesn't mean anything to them. Again, a plan should be something that says, Your Goals are thus. And here's how we're going to invest or think about investing, in order to achieve and we're going to measure ourselves by how close we help you get to those goals. That's not what current plans are doing ... current plans are just again, a series of numbers that get chucked out. Now, again, a good advisor will say, Okay, we got these bunch of numbers, but let me tell you now ... they fill in the blanks, they say, let me tell you why this is going to help you get. I mean, Judy, my partner, Judy Paradi. has a great example though, she got a financial plan done early in her career, she was a business owner. And it basically shows that if she didn't put away like, three quarters of her salary, she would be eating cat food at the end of it. And she'd never make it and .. Hope she likes cat food, ... like it scared her and she just said, I don't want to, I don't want to know about this. And the plan should not be to scare, a plan should be something that brings you peace of mind that says, okay, I'm okay. And which is another thing. And financial advisors will tell you that women, for the most part, when there's market volatility, if the advisor has said, 'Hey, we're going to

have market volatility over the years that we invest together, and but we're, you know, we're invested in good companies, we're invested in things that you understand, you know, why we're diversified the way we are'. Women will not hit the panic button when markets go up and down, and especially down, they will stay the course they said, my advisor told me I was to expect this, so I'm not whereas men, oh, all the times men, the minute the market starts really diving, they want to change, they, let's do something, let's sell, let's do something else, let's get into cash, whereas women will stay the course because they've been told.

Pat Bolland 12:48

You make an interesting point that women seem to be more questioning if they're financially, if their acumen is strong enough, financially, they're more questioning of fees. I thought that was interesting.

Paulette Filion 13:00

Well, women are consumers of products. I mean, they 85% of all family purchases are controlled by women. So they understand ... More in my house I think I ...and I hate to paint with too broad a brush, because I'm sure that there are exceptions to every ... I can't speak about your household, but they control. They're the ones who, you know, figure out the budget, to buy the groceries, to buy the new car, to what school financially, what school their kids are going to go to. So they are very, very good consumers, and they wouldn't dream of going into a store and buying something and not knowing how much it's gonna cost. Like, that's just not part of who they are. They say okay, am I ... even grapes ... Even grapes, they understand how much they should be paying for grapes. And so women, it seems innate in their nature to say, well, how much is this going to cost me? And again, the industry says oh percent of assets, and or a fee or, and women say, 'Well, how does that relate to me getting to my goals?' And that's where a lot of times, there's a bit of a disconnect, because it's hard to say, Okay, I'm going to charge you a fee on your assets, whether you go up whether you come down and you may or may not achieve your goals, and this is how much I'm going to pay. So women are more again questioning and they understand if somebody is trying to finagle or, or uncomfortable having the fee discussion, they get suspicious of why someone would be that way. And again, it's not because it's tailored, it's the financial industry. They're just consumers and they go 'Well, what kind of organization am I dealing with when I asked about how much and they I have trouble telling you how much it is'. Absolutely.

Pat Bolland 15:09

...but when you think, when I think, and you make the point in your paper, when you think about women, they make outstanding clients, you know, they live longer. So they can be a client for a longer period of time to the financial institution, they seem to be more loyal, they don't jump around, per se, and they'll refer their friends and family. Why do you think the industry hasn't woken up and said, Wait a second?

Paulette Filion 15:36

Well, I think the industry hasn't woken up, because they've been doing what they've been doing forever. And they've been catering to men, and it's a bit like turning around the battleship. And it takes time, it takes time for them to really understand the client, the way they they've currently speaking about helping clients achieve goals, developing plans for clients, all of that language speak, servicing clients,

clients are important. All of that language speaks to us with the way women think about investing or think about all kinds of services. But when they actually get in front of someone, that's not what they get. And I think the industry, as you well know, attracts alpha males by the dozens.

Pat Bolland 16:30

Yeah.

Paulette Filion 16:31

And it's all very logical analytics, technical skills, convoluted ways of investing. And that's, there's nothing wrong with that. But there needs to be a balance. And that's why Judy and I have really made it a point to say we need more female financial advisors in this street, not because every woman is the same way. But certainly, from our experience in interviewing female financial advisors, they take a far more client centric approach to serving clients to making sure that they understand exactly, they don't shy away from the soft skills. They don't. They don't shy away from having tough conversations with women. About you know, the future, and what happens if Bob dies, and what happens if your kids are irresponsible, and you want to give them some inheritance, but you don't want to give them in a lump sum, like they're comfortable having this conversation.

Pat Bolland 17:46

I'm going to take issue with part of that, though, because one of your papers, I read that 85% of financial advisors are men, as you've indicated already, but 93% of women couldn't care less whether they had a male or a female.

Paulette Filion 18:00

Yes,

Pat Bolland 18:01

You don't necessarily need to have more women....

18:03

Again, that is because there aren't very many, very many women around ... it, you know, like I get more calls today than I ever have, from women saying, 'Do you know a female financial advisor', it doesn't mean that a man can do a good job servicing a female client as an investor, I've met some exceptional men who've done an exceptional job, there just aren't enough of them. And so by balancing, you should have a choice. If you're a woman, you should have a choice between dealing with a man or a woman, again, even if your preference is for either one. But I think if, I think if more women were given a choice to have a female financial advisor, they might take that on. And again, it doesn't mean that that woman will succeed every each and every time because if she's also numbers oriented, and technically oriented, then she won't give the service that women want, like some women want. Good service, they want someone to help educate them because they haven't paid attention, and they haven't been involved. And they want to understand more. But again, they're not trying to be, they're not trying to pick the stocks. They're trying to understand what investing is all about how to manage risk, how to make sure that they can achieve their goals. How, why is it important to diversify across countries? Why do we pick one stock versus another? That's what they they want to try and understand. So that they can

make better decisions, so that they can understand the conversations they're going to have have about the portfolio with the financial advisor. Rather than just sit there and say, I haven't got a clue what you're talking about.

Pat Bolland 20:08

I guess through all of that. They'll get more respect.

Paulette Filion 20:12

They, they'll absolutely get more respect and and they deserve it. Women are an important client of financial companies. And they need to get service in the way that they want service so that they can be more loyal and bring in their, their other, their kids, their relatives, to that financial institution. It's becoming more and more important that that's how you find clients now.

Pat Bolland 20:42

Paulette, I'll have to leave it there. Let's see how it all plays out over the course of time.

Paulette Filion 20:48

Thank you very much Pat

Pat Bolland 20:49

Paulette Filion joining us from StrategyMarketing.ca