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Seeing the unseen

The role gender plays in wealth management
and what our four-part study revealed

Why we felt this research was crucial

Mainstream thinking seems to hold fast to a theme that financial advice is inaccessible and unwelcoming for women investors. Indeed, according to surveys and headlines, it would appear that the negative gender stereotypes that women experience are the norm. But when we started to dig into the existing research, credible and comprehensive evidence was sparse. It raised many questions for us — Is the narrative true today? Is it universal for women to experience negative stereotypes in wealth management? And is this landscape evolving as women's financial power continues to grow, and even outpaces men's?

Ultimately, this paper is the result of those questions. We developed a thorough and multi-layered body of research that could answer these questions with the detail and nuance that the human experience warrants. We found that subtle gender bias does still exist in financial advisor relationships, but the perception and effects differ among women. Women are obviously not a monolithic group; they do not have a single or universal experience of the world.

Yet, we can say that women's experiences have undergone a series of tectonic shifts over the years as they've made enormous gains in economic power, and they face an ever-changing, ongoing evolution of their identities, responsibilities and expectations. With these new insights into today's dynamics, we have a true opportunity to help them improve their financial lives, however they define them.

Untangling stereotypes, expectations and reality

In our modern culture, the idea of stereotypes is rightly fraught with negative connotations. To be fair and objective in our interactions with one another, the modern message circles around an ideal of a stereotype-free society.

Yet stereotyping is an unavoidable and fundamental part of how our brain processes information. Decades of scientific research have revealed the way that humans organize and react to inputs, and stereotypes — or perhaps we should call them shortcut assumptions — are a key part of that process. As we go about our daily lives, we have to make immediate judgements of everything we encounter, from sizing up our surroundings to reacting to traffic to assessing if a bite of food is safe. The shortcut assumptions that we make are actually an incredibly powerful tool, enabling us to process these reams of information all at once. The critical piece is how we allow those shortcuts to affect, or not affect, our actions.

How our brains construct a picture of someone new

When we take in new info, such as the image of a person, our minds deploy their fast-thinking "System 1" mechanism: put the person in a category and call up assumptions about that category — i.e., stereotypes.

However, that's just the initial reaction. We can depart from our shortcut assumptions as our brains deploy their "System 2" process — the conscious, detail-seeking, deliberate approach to gathering information about someone new. Thankfully, this "slow" stage of information-processing is what allows us to reach more accurate and objective — not stereotyped — impressions of new people.

System 1 *Intuition and instinct*	**System 2** *Rational thought*
• Unconscious	• Conscious
• "Fast"	• "Slow"
• Automatic	• Deliberate
• Effortless	• Effortful
• Instinct	• Complex decisions
• Error prone	• Reliable

In short

Women are positive about their financial advisors, but it's complicated

Our four-part study, designed to give us a 360-degree view of women's experience in wealth management, produced a range of useful insights. The first and foremost point: Women investors are happy with their financial advisor relationships. In fact, 70% of women reported that they were likely to recommend their financial advisor, and 40% said they would follow their financial advisor to another firm. In contrast, 65% of men said they were happy with their financial advisor, and 30% said they'd follow their financial advisor elsewhere. But for the first time, our empirical evidence begins to unpack these results, including the intersecting assumptions, perceptions and behaviors that lie beneath the numbers.

Whether their financial advisor is male or female, women investors are positive about their financial advisor

	Women	Men
Likelihood to recommend financial advisor	70%	65%
Likelihood to follow financial advisor to new firm	40%	30%

Research that is up to the (incredibly complex) task

When we set out to gather hard evidence that would stand up to rigorous review, we knew our research had to be far-reaching. We were looking to identify and measure the types of biases and stereotypes that women encountered in working with financial advisors.

But these fast-thinking behaviors are inherently hard to measure. Shortcut assumptions are a subconscious mechanism. You simply can't survey or interview people and rely on their answers alone.

We also note that there's an enormous responsibility on the shoulders of those who put forth data on culturally sensitive topics, which of course includes gender-related behaviors, perceptions and experiences. As we have seen with the prevailing (negative) narrative, any amount of evidence could have an outsized impact on shaping perceptions for years to come. Whatever evidence came to light in this process, we wanted to be certain that our approach was trustworthy.

Jump to page 18 to read more about the four concurrent studies and five distinct tools we used to collect data about the role that gender plays in wealth management.

"If I'm in a situation with someone new, whatever it might be, and I'm with my husband, I'm always feeling like I need to make my voice heard because I never know if that person is going to just focus in on my husband."

Women adapt to the industry, but the industry should adapt to them

Putting together the results of our four concurrent studies, we found that women were happier with their financial advisors than men, but their expectations are lower — particularly among older women who have been dealing with gender bias for longer. Women frequently reported that they expected to encounter some negative gender assumptions in working with a financial advisor, and frankly, they planned around such instances. They expected they would need to proactively demand to be heard. They prepared more ahead of meetings. So while they're happier than their male investor counterparts, they're grading on a curve.

In this report, we'll take the issues one at a time to paint a full picture of the way that women experience financial advisor relationships in wealth management. With the evidence in hand, there's clearly still work to be done. Yet, it was a valuable foundation to learn that the real interactions women have in wealth management simply don't match the negative narratives that our researchers found to be commonly held.

What is the "stereotype threat?"

"Stereotype threat" is any situation where an individual feels at risk for confirming a negative stereotype about a group that they're part of, a predicament that can actually change the way that person behaves.

This phenomenon has been widely documented, with over 300 academic studies showing that, when a negative stereotype is emphasized, it can be self-fulfilling.[1] When reminded of their race, minority students underperform white students in standardized testing; without the stereotype prompt, their performance is equal. Girl students do worse on math tests when boys are in the room. Elderly people perform worse on memory tests if the test is preceded by some emphasis on their age.

These negative stereotypes drive perception and confidence. In turn, these mindsets change behaviors.

[1] Rutgers School of Arts and Sciences, Department of Philosophy, "Stereotype Threat," accessed August 2022.

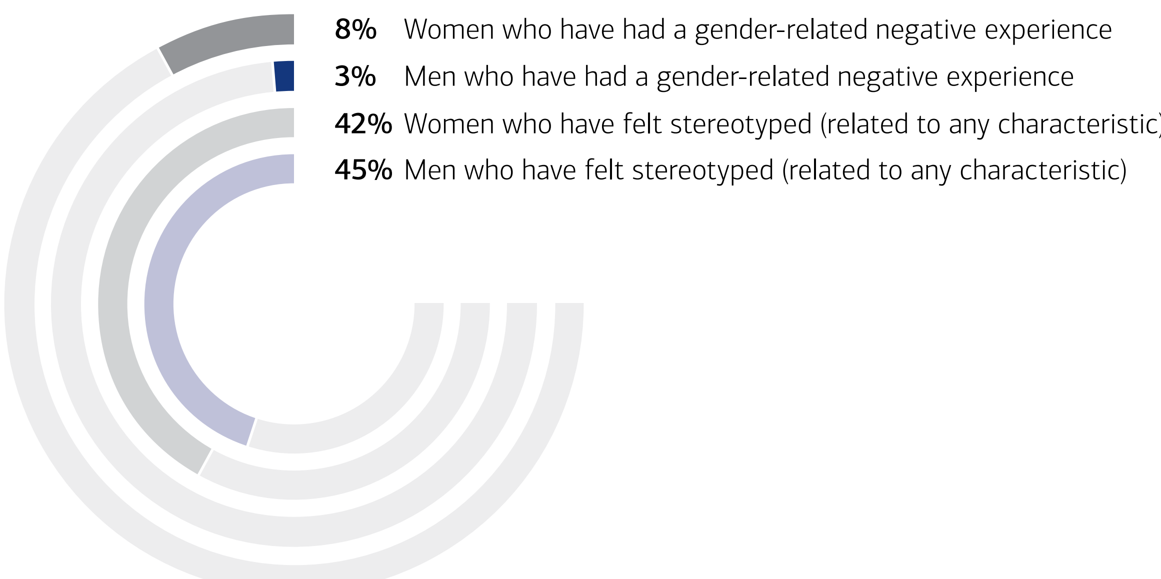
Evidence

How often women encounter negative assumptions

One of our first questions regarding negative experiences stemming from gender assumptions was: How common are they? In one of our four concurrent studies, we polled more than 4,000 investors who currently work with financial advisors to find out if they had ever had a negative experience of this sort.

What we found: 8% of women reported that they've had a negative experience with a financial advisor based on a gender stereotype — a far lower percentage than the mainstream narrative would suggest. Still, this number is significantly larger than the corresponding stat for men. Only 3% of men reported a negative gender-stereotype experience.

8% of women reported that they've had a negative experience with a financial advisor based on a gender stereotype or assumption.



Fixation duration

Heatmap of how long they looked

We also found that good intentions were the norm. In other words, when we talked to financial advisors, it was clear that they understood the kinds of negative experiences that women encounter, but the financial advisors had a hard time recognizing such behavior in themselves. The attitude we found was, to paraphrase many responses: “Other financial advisors do these negative things; I don’t do any of this in my meetings!”

We also found it notable that men and women are equally likely to be the stereotyper. When we observed real financial advisor – investor meetings, women financial advisors were just as likely to direct more of their gaze to the man in an investor couple. Ultimately, we found that financial advisors made mild but frequent miscues in meetings with investors.

Eye Tracking Insight

Live-meeting eye tracking reveals that men and women financial advisors alike dictate over 60% of their focal time on men investors when meeting with heterosexual couples.

Outcomes

Miscues in action and the extreme consequences

What's a "miscue"?

A miscue is any kind of behavior — most often a very mild signal — that one person is not accurately interpreting information from another person. For instance, a woman investor may be holding the family's financial paperwork, indicating that she is the one who prepared for the meeting, but the financial advisor starts by explaining a basic concept about investing to her.

On average there are 10 miscues in 30 minutes

While we observed that financial advisors most often have good intentions, those positive attitudes don't always match up perfectly with the behavior that we observed and measured. Indeed, our trained researchers observed an average of 10 miscues per 30-minute meeting.

Many of the financial advisors' gender-stereotype miscues were minor and went unnoticed by the investor. Though women financial advisors also committed miscues frequently, men financial advisors were twice as likely to show a miscued behavior in investor meetings.

Now recall that 8% of women (and 3% of men) reported a past negative experience arising from a gender expectation. When we interviewed women investors about these experiences, we found that many of the instances relate to misalignment on needs or incorrect assumptions. This is precisely the issue that started the ball rolling in the wrong direction. Stereotypes may lead to the wrong assumption. Wrong assumptions lead to an exchange or interaction that is a negative experience.

Among the miscues that we observed and catalogued, here were the most frequent

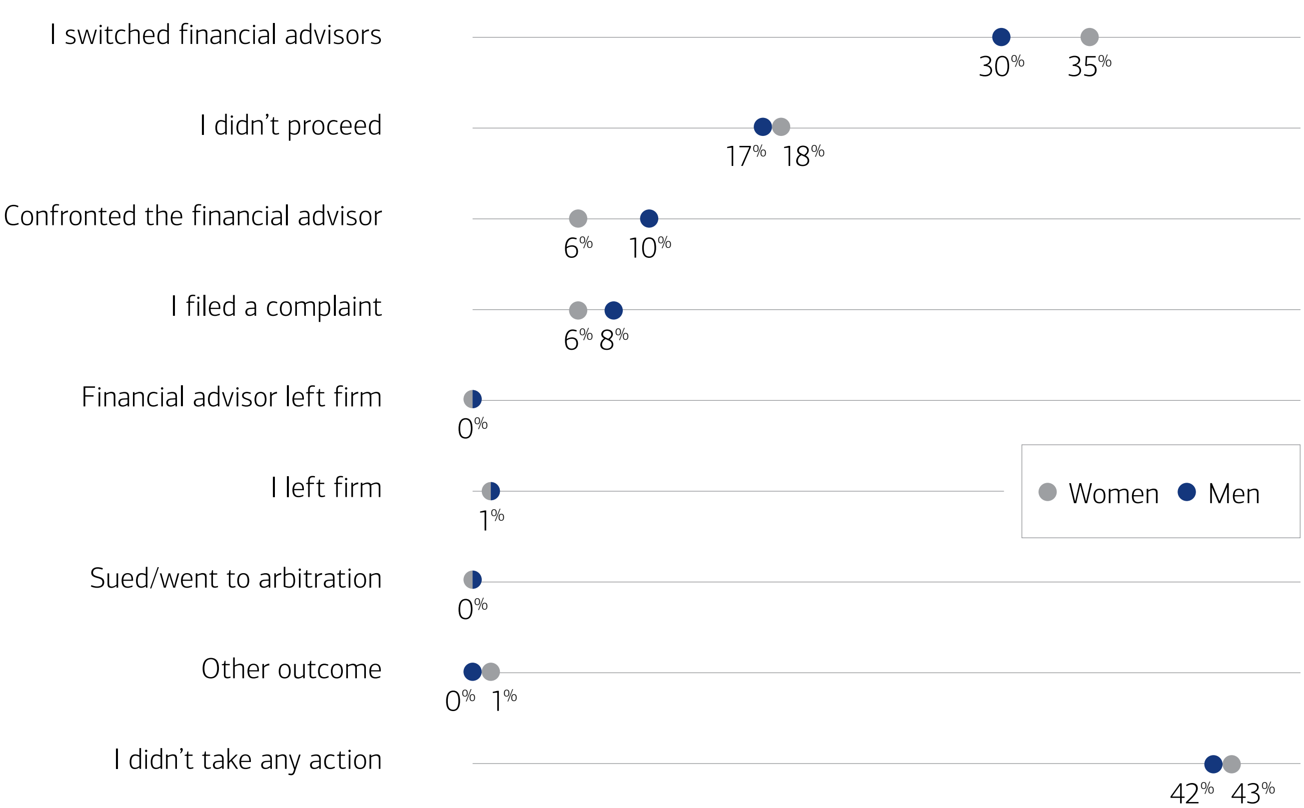
- Assuming a man is the decision-maker
- Assuming a woman wants direction
- Assuming that a couple's finances were merged and jointly invested
- Assuming that women are more risk-averse
- Assuming women are less knowledgeable than men about investing

The consequences of these errors are significant. While women investors are more likely to recommend a financial advisor when they're happy, they're also significantly more likely to switch financial advisors after a bad experience.

When we polled investors on the outcome of their negative experiences, we found that men investors were much more likely to confront a financial advisor or to file a complaint. Women investors, on the other hand, are more likely to look for an exit. Thirty-five percent of women investors switched financial advisors after their negative stereotype experience, compared to 30% of men. Eighteen percent of men confronted their financial advisor or filed a complaint; only 12% of women chose those remedies.

Women more likely to leave

Outcomes among investors who had negative experiences



Notably, there's also a hefty proportion of investors, men and women equally, who do nothing after a negative stereotype experience with their financial advisor — more than 40% of both men and women investors, in fact. Yet, the financial advisors involved have no cue or signal that their behavior was misaligned and caused a negative experience for their investors; there's no feedback loop. We think this stat reveals just how sensitive this zone really is.

Assumptions

It depends on who's in the room

Both women and men financial advisors struggled the most, in terms of miscues, when the investors across from them were a heterosexual couple. In this trend, we saw a clear indication of just how much changing gender norms are muddying the waters of our interactions — but most acutely when a very specific combination of people is in the room.

When financial advisor behaviors change

For example, women investors meeting alone with a financial advisor encountered fewer miscues (with financial advisors of either gender). Financial advisors clearly knew to treat these women as modern-era, capable, prepared individuals.

But when the women investors were part of a man-woman couple, suddenly the financial advisor behaviors often changed. Should the prevailing gender roles of earlier eras come into the interaction, or should financial advisors treat a heterosexual couple in the equally-powerful-and-capable roles of the modern day? Financial advisors, caught in the crosshairs of evolving norms, seem to hedge their bets with a little bit of both.

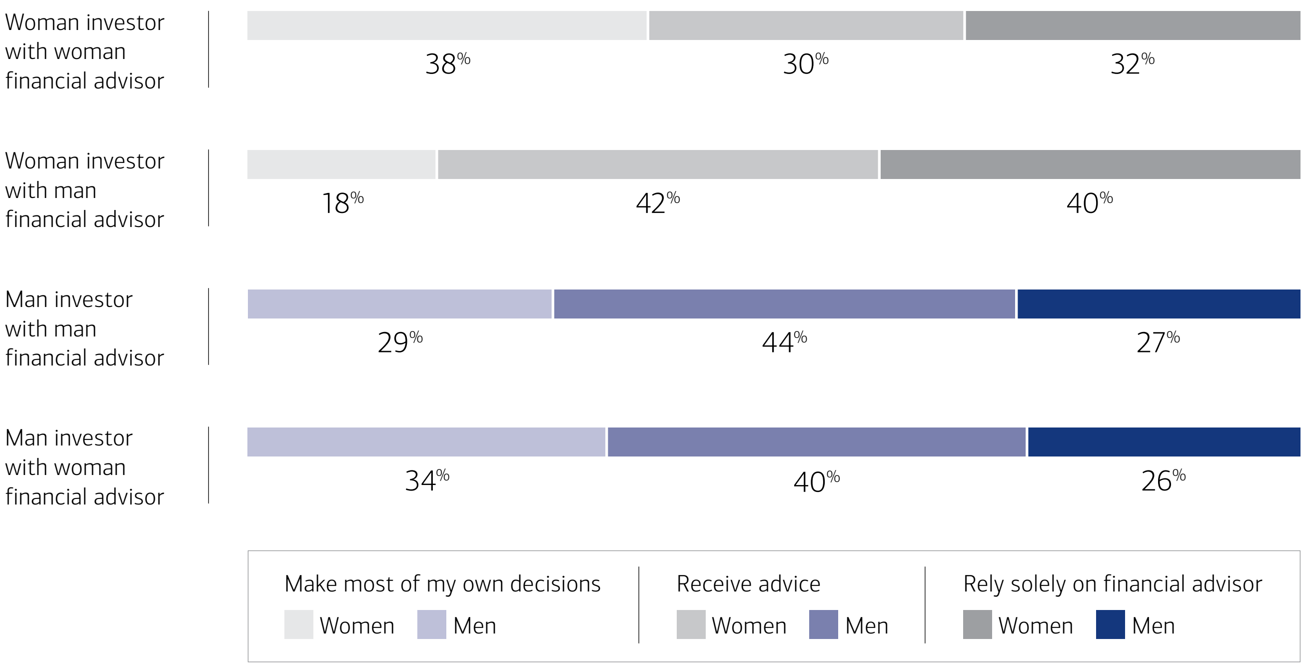
When women investors' perceptions of themselves change

What's more, we found that women's perceptions of themselves even changed depending on who was in the room. For instance, women investors gave themselves lower ratings in terms of their own financial knowledge and confidence, if they had a man financial advisor compared to a woman financial advisor. When it was just two women in the room, the women investors actually rate themselves higher, on average, than male investors do.

Women investors rate themselves differently depending on financial advisor gender

	Woman investor with woman financial advisor	Man investor with man financial advisor	Woman investor with man financial advisor	Man investor with woman financial advisor
Very **knowledgeable** about financial products and services	30%	23%	15%	14%
Very comfortable with **discussing financial topics**	44%	42%	35%	27%
Very comfortable **making financial decisions**	35%	31%	16%	16%

Women investors rely on themselves less with men financial advisors



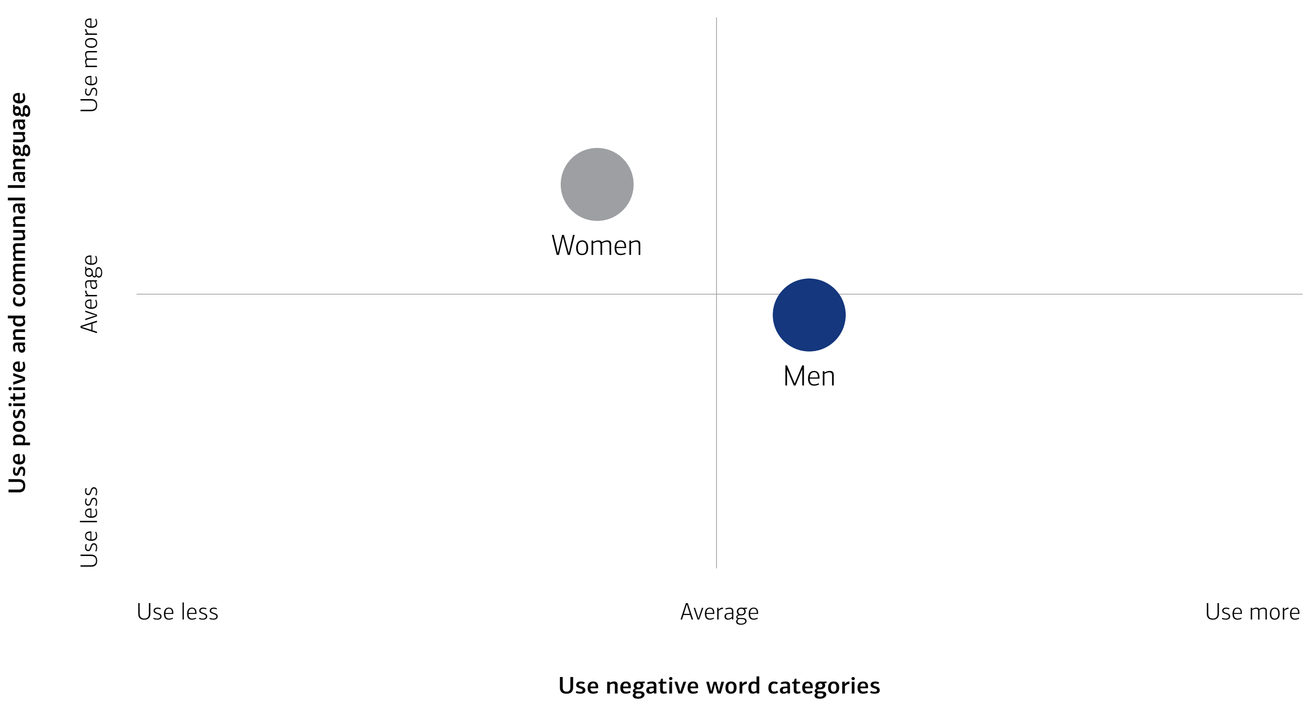
Women investors are also more likely to defer to their financial advisor's decisions when the financial advisor is a man. To put it another way, women investors are twice as likely — twice! — to say they "make most of my own [financial] decisions" when they have a woman financial advisor versus having a man financial advisor.

The role of language

One contributing reason that we uncovered for this discrepancy: the difference in language between men and women financial advisors. As we studied language patterns in our lexical analysis, we found that men financial advisors were much more likely to use risk-oriented language and to talk about the downsides of investment decisions. In contrast, women financial advisors were significantly more likely to use positive and communal language.

In contrast, the language explanation does not seem to be driving different behaviors among men investors. They are also on the receiving end of risk-oriented downside language from men financial advisors and positive, communal language from women financial advisors, but their stats about financial advisor reliance don't change depending on their financial advisor's gender.

Men and women financial advisors use different language



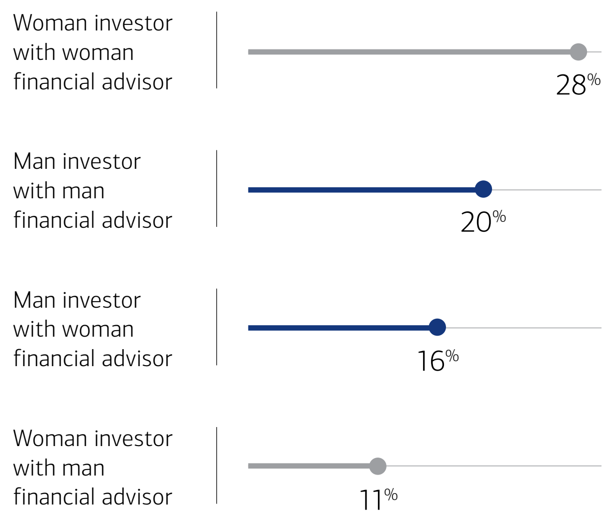
Stereotype threat in action

We think these trends — women's lower self-rated ability and higher tendency to take advice — also reflect the stereotype threat at work. Women, knowing the lingering assumption is that they are less educated, less confident and less capable in financial matters, could harbor the fear of confirming these negative stereotypes with any kind of wrong move. This fear could then prompt them to take their male financial advisor's advice more often. When paired with a woman financial advisor, the stereotype threat is naturally diminished. How can it be that women are worse at investing, if the professional financial advisor across the table is a woman?

One final statistic that we think strongly supports the stereotype threat: When their financial advisor is a woman, a woman investor is vastly more likely to say she is comfortable taking investment risks — 2.5 times more likely than if her financial advisor is a man. The stark difference in these statistics, depending on which gender of financial advisor is in the room, matches up with the way that young girl students do much better on math tests when the boy students are out of sight, a well-documented instance of the stereotype threat in action.[2]

With a woman financial advisor, women show much higher risk tolerance

Very comfortable taking risks with investments



[2] Matthew S. McGlone and Joshua Aronson, "*Stereotype Threat and Female Students' Math Performance,*" National Communication Association, April 1, 2007.

Disruption

Even bolder shifts from the next gen

It's common knowledge that the younger generations of adults, including millennials and Gen Z, are different in values and characteristics than those who came before. Still, the shifts we saw among the youngest women, in terms of expectations and perceptions about managing money, were eye-opening. The enormous shift in economic power and social roles is indisputable in these younger investors.

For instance, 50% of women over 55 manage their own finances. For women under 45, the figure leaps to 75%. Among married women, younger married women are more than twice as likely than older married women to say they are the primary financial decison-maker in their family.

One contributor to these stark changes is the trend for young adults to marry at a later age than their parents' generation. Both genders are more likely to enter marriage with the experience of managing their finances and investments independently before the union. As they enter marriage in this financially advanced state, couples are choosing to remain financially independent more frequently.

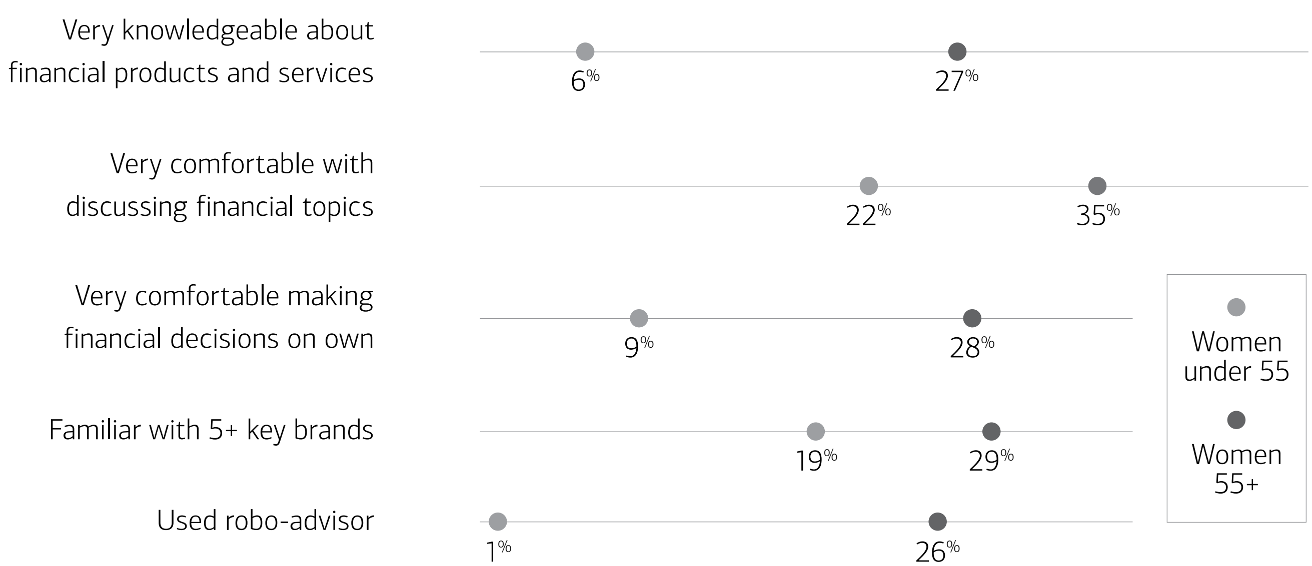
Younger women investors are also actively seeking to educate themselves on financial matters, our research shows. And it's paying off; the youngest women investors we surveyed (<35 years) scored better than their male counterparts on our financial literacy questions.

2X

Younger women are empowered

Younger married women are more than twice as likely as older married women to say they are the primary decision-maker.

Younger women investors are knowledgeable and comfortable



We noted earlier that the ongoing changes in women's societal roles have shifted decision-making dynamics that defy long-held assumptions. Financial advisors assume—often incorrectly—that in an older investor couple, traditional gender roles are more likely to be the norm. Financial advisors seem to know that among younger investors, these roles have shifted, and women take on as much or more decision-making power in families.

But we observed evidence that financial advisors are not totally tracking just how far-reaching these changes already are in the younger set. Ultimately, with both older and younger women investors, we saw some signs that financial advisors aren't always keeping up with the pace of change.

The way forward

Do women encounter gender-driven assumptions when they seek financial advice? Yes. But there's more to it, of course. In interviews, women investors often said they expected to face negative assumptions and changed their behavior accordingly, preparing more for meetings and speaking up proactively to be heard.

"I believe the industry is evolving, but I go in there with a voice, and I have the assets to back it up."

"If I'm in a situation with somebody new and it's whatever it might be and I'm with my husband, I'm always feeling like I need to make my voice heard, because I never know if that person's going to just focus in on my husband or is going to look at both of us."

"Maybe it's my age, and all the women I know of my age group have done that [make sure their voice was heard]. I'm trying to think. I have a daughter, and she's 30-ish. I don't know if she thinks about that. It's an interesting question."

With older women investors, these long-standing expectations of how they will be treated may, in some ways, contribute to a "normalization" of negative behaviors from financial advisors. With a lifetime of expecting to be sidelined, older women investors may actually be less upset when it happens or even less likely to notice these miscues. It's par for the course to have to be more prepared and proactively speak up in order to have a full voice at the table. Their expectations are low.

But the profile of younger investors is vastly different, and they are less likely to share these lower expectations. They're also less reliant, compared to older women investors, on their financial advisor's guidance.

The impact of assumptions and unconscious behaviors is powerful. It's not as negative as the prevailing narrative would suggest, but stereotypes are still widespread. As we found with financial advisors, it's incredibly difficult to even see assumption-driven behaviors in yourself. We found well-intentioned financial advisors who were unaware of their own miscues.

To serve women today, we need to understand the complexity of their experience. This research offers us a deeper look into these interactions — a multilayered view of what women investors expect, what they experience, and the situational nuances that change those factors. We expect to see even more changes as the next generation of women continues to emerge. As we look to use these insights to serve women better, we hope this research will drive industry norms to a new level — one where women investors truly expect more of us.

Appendix

Continued from page 03

In order to cast a far-reaching net that would produce robust evidence, we conducted four concurrent studies. With this approach, we were able to gather data we could cross-check between studies. We were also able to measure the difference between what people say about gender and how they actually act when they're in real-life situations.

Capturing "System 1"

Three out of four of these studies were specifically designed to measure "system 1" processing.

System 1 is the intuitive and instinctive part of our brains, which groups new information by category (think: age, race, gender, class) and calls up the stereotyped characterization it associates with that category (tech-challenged, thrifty, nurturing, conservative).

System 2, in contrast, is the rational, deliberative part of our thought process — the phase where we set aside assumptions and gather specific personal impressions. We had to design our study questions and methods to capture the system 1 process.

The four studies we conducted concurrently

Tools used to gather and analyze data

1

How financial advisors categorize investor types: Virtual one-on-one interviews

Aiming for a “lab research” kind of design, we conducted a very particular kind of virtual interview with 18 financial advisors: We asked them to react to 40 images of investors, a selection carefully curated to represent gender, race, age and affluence cohorts. The financial advisors then shared the assumptions they had about each person as an investor.

By using images, we restricted the financial advisors’ ability to individuate — to gather real input about the person’s personality. Instead, they could only work off their internal bank of stereotypes.

We conducted the interviews by video conference, recording their responses by audio and video while also tracking their eye movements. We analyzed their speech for lexical patterns, picking up subtle differences in word choices used when talking about different investors. We also used eye tracking to record their fixation duration on focal points within each investor image and assess which visuals they leaned on most in forming their conclusions.

2

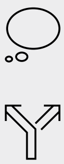
Talking to investors: In-person interviews and focus groups

In this study, we spoke to 30 women investors about their experiences through in-person solo interviews and focus groups. In addition to asking them about their preferences, perceptions and past experiences with financial advisors, we conducted implicit association tests with the investors to uncover their stereotypes about financial advisors.

The four studies we conducted concurrently (continued)

Tools used to gather and analyze data

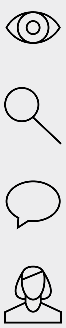
3



Quantitative investor baseline survey

We conducted 4,000+ online surveys with investors who were actively advised and had a minimum level of assets, using MaxDiff questions to elicit the investors' stereotypes, prior negative experiences with financial advisors, and what their expectations were about being stereotyped themselves. (MaxDiff questions are designed to force the respondent to choose between two options, either two that are similar or two that are categorically different, to tease out their preferences and views.)

4



Observing real meetings: Live ethnographic simulations

We facilitated 72 meetings between financial advisors and investors, using cameras in multiple locations to capture the meetings. In this footage, we analyzed lexical patterns, body language and eye tracking of the financial advisor to create a catalog of miscues.

The five tools we used to gather and analyze data

Eye-tracking technology

Eye-tracking technology allows us to capture patterns of sight, noting what eyes look at, the order in which they scan a subject, and where gazes are concentrated for the longest time. With this info, we can build focal-point heat maps that show, for instance, which person in a couple the financial advisor spends more time looking at. Eye tracking was used in virtual financial advisor interviews (study 1) and in the real financial advisor/investor meetings (study 4).

Lexical analysis

Lexical analysis is a method of analyzing speech patterns. Trained researchers reviewed the recordings of virtual financial advisor interviews (study 1) and real financial advisor/investor meetings (study 4) to catalogue language, both by subject (personal topics, investment risks) and tone (warm, commanding, etc.). This process enabled us to make quantifiable observations about conversations.

Ethnography

This is the practice of observing people in their natural environments. Rather than asking people what they do, we had trained researchers watch video recordings of our real financial advisor/investor meetings (study 4), using minute-by-minute footage from multiple cameras to analyze and catalog behaviors. This data was the main source of our library of “miscues,” or moments when financial advisors or investors deferred to a stereotype, misinterpreting the behavior or information coming from the person across the table.

Body-language analysis

We also brought in a body-language expert from Yale University to conduct analysis on the video footage of our real financial advisor/investor meetings (study 4). The researcher catalogued and analyzed the non-verbal communications between financial advisors and investors, including postural synchrony, backchannel responses, gaze aversion, forced smiles and proximity.

MaxDiff evaluation

This is a type of question design where you force the respondent to choose between two options, either two that are similar or two that are categorically different, to tease out their preferences and views. This question style allows us to approximate rankings or magnitude to the responses of the subjects. This is how we gathered quantitative data from investors in the investor survey (study 3).