



► *In this issue*

More than ever before, women today need financial planning for all of life's stages. Credit unions lag behind banks in targeting this market.

Market smarts

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Women & Investing

- *New perspectives: Changes in population, education and the economy have changed the ways women consume, work, and invest.*

WOMEN ARE grabbing the money. They hold almost half of the wage-paying jobs in Canada today. They earn more than ever before. The World Wealth Report 2002, published by Merrill Lynch and Cap Gemini Ernst & Young, finds more wealthy women and more wealthy women investors around the globe. But wealthy or not, almost all women could become investors. “Nine out of 10 women manage their own finances at some point in their life,” according to Michael Marks, chairman of Merrill Lynch’s International Private Client group. What help do these women investors need? How can credit unions respond to women’s new economic power? □

Better Educated, Better Employed



In the post-war period, women's participation in the workforce has tripled: 80 percent of women aged 25 to 44 now work. Since 1970, real median incomes for women in the United States have risen 63 percent (in contrast, men's have fallen 6 percent). This rise in income has followed naturally from women staying in school longer and then pursuing careers, often in fields previously dominated by men.

Statistics Canada's figures on post-secondary education suggest this movement will continue. From 1994 to 1999, university enrollment was up 13.2 percent for women, but only 7.5 percent for men. Twenty-one percent of Canadian women aged 20 to 29 hold university degrees, compared to 16 percent of men. In the United Kingdom, The Financial Services Authority's *Women and personal finance: the reality of the gender gap* discovered significant gains in women's employment and finances: 20 percent of managers and 10 percent of corporate board members are women, versus only 8 percent of managers and 2 percent of board members a decade earlier. Women in the UK now account for half of students attending dentistry, medicine and business schools. Girls outperform boys at every educational level.

These changes have gradually reduced the 'wage gap' that continues to persist between men and women. In the UK, women earned 78 percent of men's income in 1991; this ratio had improved to 82 percent by 2000. Canada has also lessened the gap, although the average woman still earns only 70 percent of the average man's income.

Despite this wage gap, women are accumulating significant wealth. The just-released *World Wealth Report 2002*, published by Merrill Lynch and Cap Gemini Ernst

& Young, reports that women account for 43 percent of the affluent – people with financial assets over \$500,000 – in North America. Moreover, the number of wealthy women is growing quickly. Research from The Spectrem Group found that between 1996 and 1998 the number of wealthy women in the US grew 68 percent, a growth rate almost double that of men (36 percent). Some estimates predict that women will control 60 percent of that nation's wealth by 2010.

Ms. Inc.

More and more women work as employees and managers, but a significant number also now own businesses or work on their own.

Women now own one-third of American businesses, a share expected to rise to 40 percent by 2005. The entrepreneurial spirit among women is especially strong in Canada, where the rate of business formation by women has outstripped that of the US since 1989. Industry Canada reports that the number of self-employed women increased by 44 percent between 1991 and 1996 (compared to 20 percent growth for men). Women now make up one-third of self-employed Canadians, a higher proportion than in any other OECD country, including the UK, Germany, Italy and Australia. Self-employment growth is especially strong among women under 30, many of whom seek self-employment to balance career and family.

The 'Ms. Inc.' phenomenon of business ownership by women has not been lost on some astute financial service providers, who have made female business owners an important target market. □

New Opportunities, New Challenges

► *Despite the improved economic status of women, they nevertheless face challenges to their financial well being.*

Long Life, Long Investment Horizon

Mortality figures indicate women live six to seven years longer than men on average. Roughly equal numbers of men and women figure in most age groups until the proportion of women grows markedly with the old. Twice as many women as men are alive today at age 85 in British Columbia, and at age 90, three times as many.

This greater longevity makes retirement planning especially crucial for women: they will need to have adequate income to meet living expenses for a greater number of years than men, especially considering the higher health care costs that come with old age.

Going Solo: Living with Death and Divorce

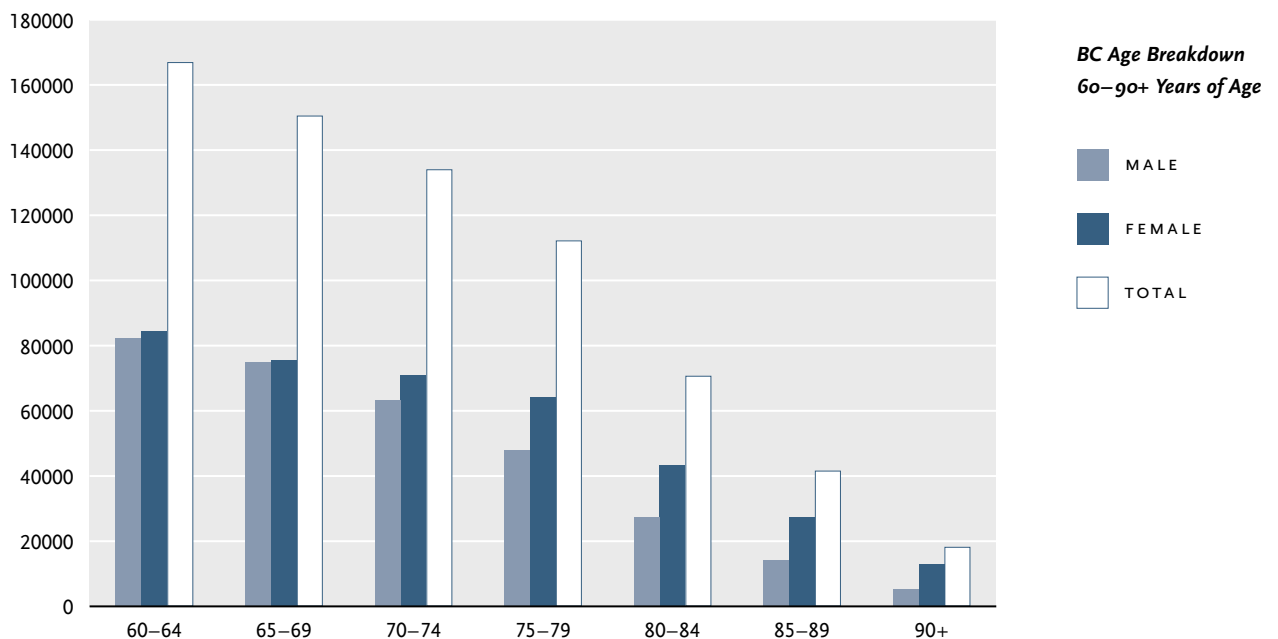
Living longer means that 90 percent of women will become entirely responsible for their own financial future at some point in their lives. But living alone can come much earlier than old age. Divorce rates have doubled in the United States since 1960, a trend also occurring in Canada and other western nations. Divorce often worsens a woman's finances. The Financial Services Authority determined that, in the UK, a woman's income was likely to decline by an average of 20 percent following a divorce, while a man's income would change little. Taking custody of children

explains much of the disparity: children restrict the woman's ability to work, develop her career and accumulate pension assets. Caring for elderly and ill family members can also make a woman's finances more difficult.

Warming up to Finance...Slowly

Greater longevity and the risk of divorce emphasize the need for women to invest wisely and to plan their finances. However, research indicates that, collectively, women's interest in financial matters is growing only slowly. Women are not as financially prepared as men for the future.

A poll conducted by Ipsos-Reid on behalf of RBC Financial found that 34 percent of women were concerned that they had not done enough to save for retirement (versus 28 percent of men), and 60 percent had not determined how much they would need to secure their retirement (versus 52 percent of men). A recent TD/ Environics Research study found that 80 percent of baby boomer women aged 36 to 55 had less than \$100,000 saved for their retirement, and less than half had an RRSP. Even more direly, 45 percent reported having no investments in their own name. Since Statistics Canada estimates that the average woman will need a minimum of \$300,000 at retirement, women now more than ever will need to do something about their own finances. □



Investment Attitudes

The most financially resourceful generation of women in history offers a new business potential to the financial services industry. And financial services providers need to understand not only the risks faced by these women, but their differences from men.

Women think differently from men about their own finances: they differ in their attitude toward risk and their interactions with the companies that will need to guide them in those risks.

Taking a Team Approach

Women and men want different personal service from financial services. The Financial Services Authority found that women are not only more likely to use a financial advisor than men, but they trust that advice more resolutely. Men use financial advisors but often supplement the advice with their own research. Although only a quarter of the men surveyed relied exclusively on their advisors' recommendations, a third of the women trusted those recommendations entirely. A J.D. Power & Associates' study of brokerage clients found similar results: women made a larger percentage of advised trades, and men more often tended to decide for themselves. Women also seem more likely than men to seek consultation and community to help them manage their personal finances: two-thirds of investment clubs formed in the US are organized by women.

Women's preference for financial advisors may stem from how women view themselves as investors. TD/Envionics found that 40 percent of women felt uncertain managing their own investments. Yankelovich, a US social research firm, last year found that although 59 percent of women responding to its study viewed themselves as "intelligent," only 11 percent felt they were "financially savvy." In contrast, 51 percent believed they were a "bargain hunter," and 44 percent agreed that they were a "smart shopper." Many women, then, see themselves as confident consumers of goods but uncertain investors.

Yet these beliefs may gradually become a thing of the past. As recently as 1994, 60 percent of American women surveyed by SRI Consulting agreed with the statement "I sometimes feel stupid when asking questions about financial matters." Only 44 percent answer yes to this statement today. Two out of three women say that their interest in financial matters has increased in the past five years. The future may find a greater and greater number of knowledgeable and confident women investors.

Think Conservative

Not only do women prefer to invest with the help of a financial advisor, but they also tend to invest more conservatively with the help of mainstream service providers. They are also less likely to accept higher risk for the prospect of higher reward.

Risky? Then It's Not For Me!

Percent Agreeing with the Statement...

	WOMEN	MEN
Strongly/moderately feel the need to actively invest in stocks, bonds or mutual funds	47%	53%
When I invest my money, I always look for safe investments, even if it means getting a lower return on my investment*	71%	61%

SOURCE: Yankelovich Monitor, *Women and Money*, January 2002

*This is a forced choice in which the alternative choice is:

"When I invest my money, I always look for the highest return, even if it means taking some risks".

The wage gap and women's wariness about the prospect of divorce, widowhood or family illness may partly explain this aversion to risk.

In another indication of investment conservatism, professors at the University of California at Davis studied the trading records of over 35,000 customers of a major American brokerage house. Women were far less likely to be "traders." On average, women turned their portfolios over at a rate of 53 percent, versus 77 percent for men; the women seemed more likely than men to stick with long term investment plans.

However, again things may be changing. The Yankelovich research revealed that younger women, those in their 30s and 40s, accept more risk than older women. Although 79 percent of "mature" women always looked for safe investments, only 64 percent of "Generation X" women did the same, with "Boomer" women in between. More and more women are investing. According to figures released by the Investment Company Institute and the Securities Industry Association, the number of women investors rose 85 percent in the US from 1985 to 2000. ▶



Is a home a wise investment? For a growing number of women, the answer has been 'yes', if the statistics on female homebuyers are any indication. In the US, single women bought 250 percent more homes in 1998

than they purchased a decade earlier; they now make up 18 percent of the home-buying market, outdistancing the 11 percent share for single men.

Complementing their conservatism toward investment risk, women also appear more conservative in their choice of financial service providers: they favour banks and credit unions over brokerages and independent financial planners. In the UK, 60 percent of women reported using a bank

instead of an independent planner, while in the US, a study by Raddon Financial Group revealed that women favoured a bank or credit union over a brokerage house when investing. However, little distinguishes women's choice between banks and credit unions. □

Banking and Investing

In its *Women and personal finance* study released last year, the Financial Services Authority concluded that men and women similarly used many core banking products such as demand accounts, term deposits, mortgages, credit cards and home insurance. Differences in product use seem attributable more to variables like employment status, age or even ethnic background than gender. In fact, according to the Authority, in their choice of these products, a professional woman acts more like a professional man than a single woman just beginning her career. Still, because men have worked longer and more continuously, usually without leaves for childrearing or caregiving, more men – 40 percent of them in the study – have pension assets than do women (only 22 percent in the study).

Figures from the Canadian Bankers Association indicate that women suffer higher refusal rates on business loan applications than men – 23 percent of women refused versus 14 percent of men. Gender, however, may matter less than the fact that businesswomen tend to concentrate in industries – hospitality, food and beverage, and retailing – that traditionally suffer lower loan approval rates.

Delivery Channels

The Internet also affects how women gather financial information and do their banking. In a study titled *Canadian Women Online* released in 2000, Internet marketing firm DoubleClick found that 55 percent of female Internet users like to bank online for such routine transactions as account inquiries, paying bills, transferring funds between accounts or obtaining rate information. However, for more complex transactions, women favour branch visits. Although 25 percent of those women surveyed use the Internet for research before investing, only 7 percent actually invest online.

Channel Preference by Transaction Type

	INTERNET PREFERRED	BRANCH PREFERRED
<i>Activity</i>		
Account queries / updates	39%	13%
Pay bills	37	15
Transfer funds	34	20
Obtain rate information	32	27
Product / service information	28	38
Credit card application	14	40
Loan or mortgage application	8	61
Investment advice	8	56

SOURCE: DoubleClick, *Canadian Women Online*, 2000

Deloitte & Touch LLP/Capital Rose Inc. found similar results in its survey of affluent women in the US (those with personal incomes over \$100,000). Although these women actively use the Internet to gather information, they prefer to purchase financial products face-to-face.

Female investors' increasing use of the Internet has spawned numerous web sites in the US, including *msmoney.com*, *financialmuse.com* and the Financial Network for Women. These sites, which compete with traditional financial service providers, and women's portals like *iVillage.com* and *oxygen.com*, provide financial information, advice and tools. They may also offer banking and brokerage services. □

 NESTING WITH
 THE CHICKS

Want to learn more about investing? Form an investment club!

That's what Karin Housley and nine of her friends did in launching Chicks Laying Nest Eggs, an online investing club. The foundation of the club's investment approach is grounded in the strategies of superstar investors — former Fidelity manager Peter Lynch and value investing guru Warren Buffett. The partners have created the "Chicks Dozen", 12 principles that guide the group's stock selections. The Chicks pick companies that are leaders in their industry, have healthy margins and cash positions, and are likely to grow, among other considerations.

To contend with the geographic challenge of having its members in ten different cities across the US from Los Angeles to Portland, Maine, the group relies on the web to stay in touch by holding 'cyber meetings' on the first Sunday of every month. Still, the Chicks find the time to meet in person twice a year at various locales. The group buys stocks every three months, and when they're not buying, the Chicks actively monitor the equities in their portfolio and research companies for potential addition.

The Chicks have also made it a mission to help other women form their own investment clubs and enhance their investment knowledge. The group's web site —

www.chickslayingnesteggs.com — presents guidelines on forming clubs, book reviews, discussion forums, help with company research and other resources. Chicks Laying Nest Eggs is an example of the growing number of women who are becoming active in investment clubs. Among the 650,000 members of the National Association of Investors Corp., 70 percent are women, up from 40 percent in 1990.

In staying true to the group's philosophy of building a 'nest egg' while having fun, "Chick Karin" says, "the members don't want the club to be just about beating the market." Of course, the Chicks' success guarantees a lot of fun!

Programs for Women



The financial services industry's marketing to women focuses on information. By fostering women's trust in the institution that provides the information, these marketing initiatives promote closer relations between the institution and potential women investors. This emphasis differs from the priced-based approach prevalent in the targeting of other segments such as seniors. Also, the industry has concentrated on only some parts of the women's market. The result? An effort to attract affluent or professional women and business owners, rather than a broad-based appeal to all potential women investors.

Bank of Montreal — BMO Nesbitt Burns
 The Private Client division of Nesbitt Burns has created *Lifestyles*, an advisory service that addresses topics of

concern to women in various stages of life from *LifeStage One*, "early adulthood" (18–29 years old), to *LifeStage Five*, "post-retirement" (age 66 and over). For those in *LifeStage One*, the bank addresses matters important to young people: managing cash flow, establishing a credit rating and planning goals. For *LifeStage Five*, the discussion turns to RRSP maturity options, estate planning and wealth management. At each stage, a BMO Nesbitt Burns Investment Advisor invites questions.

Bank of Montreal has also tried hard to attract women entrepreneurs. It identifies these women as one of its target "business sectors," a category that includes agriculture, the professions, home-based and non-profit businesses. In the bank's words,

We're recognizing the needs of women entrepreneurs by creating and supporting initiatives that focus in three key areas:

- *Promoting recognition of the growing economic role of women in business.*
- *Improving the business/financial information and education available for and about women.*
- *Facilitating success for women in their own business.*

SOURCE: *Services for Women Entrepreneurs*, Bank of Montreal (www.bmo.com/business/s/women.html)

To this end, the bank offers numerous business resources, such as tips on starting a business and advice for dealing with a banker, in order to help women. Bank of Montreal also continues its support of the Canadian Woman ▶

Entrepreneur of the Year Awards, started in 1992, and also conducts entrepreneurial workshops.

Royal Bank

Like BMO, the Royal Bank sees value in marketing to businesswomen. The cornerstone of the bank's efforts is the Royal Bank Women Entrepreneurs Network. By joining the network, customers get access to publications, the bank's Champions newsletter, notices of events, trade journal subscriptions, discussion forums through the bank's web site and an opportunity to network with other entrepreneurs and business service providers.

Royal Bank has also recognized the distinctiveness of its female customers. In 1992, the bank hired Joanne Thomas Yaccato, a financial author and President of Women and Money, Inc., to teach its 1,400 business banking account managers about the importance of their female customers: they learn how to talk to those customers and serve them better. "Reaching the Women's Market" became one of the bank's largest training initiatives in its history. Today the bank features a select group of over 100 male and female account managers, the Women's Market Champions, whose expertise focuses on female entrepreneurs.

Royal Bank has been recognized internationally by the International Women's Forum, and by the Canadian Embassy in the United States for "outstanding private sector contribution to the Canadian businesswomen community."

HSBC Canada

In 2002, HSBC Canada celebrates its 15th year of sponsoring the Women of Distinction Awards. The bank also encourages the increased prominence of women in business by supporting Women in the Lead, a directory of women qualified to serve on corporate boards.

Citibank

In 1999, Citibank discovered that despite their success in business, many female executives felt uncertain when dealing with finances. In response, Citibank created its Women and Company unit, targeting financial services to professional women 26 to 55 years old. For a \$125 membership fee, customers get access to a financial advisor, newsletters, seminar invitations and product privileges like loan and mortgage rate discounts (www.womenandco.com).

Wells Fargo, PNC Bank Corp., First Union, FleetBoston Financial, Schwab and Bank One are further examples of American financial companies actively pursuing the female entrepreneur and professional women markets.

As the activities of Bank of Montreal and Royal Bank demonstrate, Canada's major banks are also beginning to improve their efforts to market to women. In contrast, the credit union system has lagged. However, G&F Financial Group is one BC credit union that is leading the way with its Just for Women workshops (*see Sidebar*).

Beyond the services available through traditional financial institutions, government agencies have also responded to the rising number of female entrepreneurs. The Business Development Bank of Canada grants loans of up to \$25,000 for business start-ups, and up to \$100,000 for expansion. Western Economic Diversification funds the Women's Enterprise Initiative across western Canada, helping women engaged in small businesses get access to business services and financing.

Although women do not seem to choose financial advisors by gender, financial services now hire more women. Salomon Smith Barney has tripled the number of women in its broker trainee program in recent years. □

G&F Financial Group (Gulf and Fraser Fishermen's Credit Union) has developed a series of workshops that help teach women how to invest better as they age or change their marital status. Why? Since more women than men consulted with the credit union's financial planning staff, the credit union chose to focus more directly on the financial education of these female members. G&F Financial Group also recognized that women's superior longevity would mean that women would ultimately control their

family's assets in most instances. Titled "Just for Women," these workshops have attracted participants of most ages, from young adults to seniors. Four topics recur: the pros and cons of various investments (stocks, bonds, mutual funds and term deposits), investment strategies, RRSPs and portfolio diversification. The workshops also function interactively by allowing the participants to tailor each workshop's agenda to their needs. Offered each spring and fall, the "Just For Women" series has succeeded in filling every

seat. In the words of one attendee, "This is my third time. Each time I learn more and it's always interesting." The credit union has also used the workshop as a member recruitment tool, since members registering for the workshop are also asked to bring a non-member with them. G&F Financial Group's pleasure with the workshops' success commits it to continuing them, just for women.

Marketing Financial Services to Women: Challenges and Strategies

Financial service providers must recognize some elementary facts when marketing to women.

Women need life-time financial plans. Their greater longevity, the greater pressures of divorce, and the difficult balance between career and family demand that women establish financial plans responsive to these differences. However, the evidence suggests that women must do more to create the security they need. The financial services industry, including credit unions, can help women achieve this security. Many women view credit unions more favourably than independent financial planners and brokers, a preference that provides the system an important opportunity.

Women need marketing programs that respond to women's lives. Credit unions can and should develop products and marketing programs appropriate for the changing features of many women's lives: getting married, starting a family, or sending children to university.

Women want financial partnerships. Women more than men prefer to work with, and depend upon the advice of, financial advisors. Credit unions should draw upon

their expertise in wealth management: they can emphasize the benefits of their counselling about money instead of simply tossing out technical information. Credit unions can then effectively market to women by nurturing long-term relationships that promise the loyalty of women investors.

Seminars can also help personalize these relationships by serving the many women eager to improve their financial acumen. Links to women's resources on the credit union's web site make even more credible the financial partnership between the institution and women.

Women prefer personal service. Although women use the Internet for routine banking, they value personal service for more complex transactions. This preference should make credit unions cautious about reducing branches or restricting business entirely to online banking. The delivery channel may matter as much as the product.

One size does not fit all. New products and services must also adapt to the differences among women. Female professionals and entrepreneurs do not likely share the concerns of widowed retirees. □

BIBLIOGRAPHY

The Corporate Information Centre maintains a comprehensive business library and archives of legal, periodical and newspaper collections with access to many commercial databases and subject files, including the sources of information provided within this issue. Contact Diane Walker at 604 737 5971 or dwalker@cucbc.com for further information regarding the services of the Centre.

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Summary

Better education, higher incomes, more dynamic careers and a flair for entrepreneurship have made women a significant economic force in North America. Women will likely control a growing share of the continent's wealth in the decades ahead.

Yet women face challenges to their financial well-being: a longer life than men, the potential for divorce, the pressure to balance career and family. Women need effective financial planning that addresses these facts.

Research suggests that women and men differ in their attitude toward risk and their preference for financial advice. Women tend to invest more conservatively and depend more heavily on the advice of financial professionals, while men tend to invest more willingly on their own and use technology more daringly. Although women use the Internet for routine banking and information gathering, they still prefer personal contact for more complex transactions.

The financial services industry has marketed only selectively to women; its attention has focused on affluent and professional women or female business owners. Royal Bank and Bank of Montreal have developed active programs to attract prime female customers, usually by providing advice through seminars, published materials and web sites, and by sponsoring women's business-community activities. Credit unions lag behind the banks in these efforts.

Success in attracting a greater share of female customers depends on knowledge about what women expect from financial services: they need long-term financial planning, they want to form partnerships with service providers, and they prefer personal service. However, women also live more varied lives and have more varied finances than ever before. Financial services – and credit unions above all – need to respond with a variety of marketing programs flexible enough to address the diversity of women today. □