How asset managers can support female investment trends

From the margins to the mainstream

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IN A NUTSHELL

- The last century has witnessed increasing numbers of women gaining the vote, entering universities, joining the labor market, narrowing the pay gap with men and being able to own their own bank account and home. Yet many women globally are still confronted with barriers.
- In wealth management, women investors are becoming a major force. This is being fueled by a wealth boom as the percentage of women millionaires and billionaires worldwide hit record levels.[1]

  It is estimated that if women invested at the same rate as men, there would be an extra US$3.22 trillion of assets under management from private individuals.[2]
- Women not only have the potential to invest more, but their investments also tend to generate higher returns compared to men. This can be explained by less frequent trading, staying invested during market downturns, using stop-loss orders and following the advice of their advisor more closely than men[3]. Women are also more likely to invest with social and environmental factors in mind.[4]
- It is reasonable to design investment products that are focused on women, but even more women would benefit from a personalized approach that is tailored to their financial objectives and personal goals, such as funding their retirement or care responsibilities. Women may also benefit from education on investing and wealth management that resonate with a female audience.
- One obvious area of change is the low level of female financial advisors since more than two thirds of women prefer to speak to a female financial adviser. In many countries, including the U.S., Germany and the UK, no more than 20% of financial advisers are women.[5]
- Digital financial services are also contributing to a marked increase in women's access to financial services. Although men still dominate based on the total number of users, women appear to be catching up, as women have been signing up to investment platforms at faster rates than men.[6]
- In a world where it will currently take 131 years to close the financial gender gap,[7] more action is required to avoid simply relying on the growth in women investing as the only way to increase their financial wealth and bridge gender inequalities.

Introduction

Following the publication of DWS's Female Finance paper[8] at the end of last year, in this paper we dig deeper. Over the next four sections, we first show how the inclusion of women into society is a relatively new phenomenon and how this has affected the financial well-being of women. The second section summarizes research on the investment behavior of women. The third section discusses the importance of women's prosperity for the global economy and opportunities that female wealth creates. And finally, we provide proposals for better serving women investors and closing the gender investment gap.

[1] Forbes (April 2024). "The richest women in the world in 2024"
[2] BNY Mellon (2024). "The Pathway to inclusive investment. Why women's investment matters"
[3] J.P. Morgan (April 2021). "Women and investing: planning for the future"
[4] Fidelity (March 2023). "Women are combatting financial stressors by embracing community and trailblazing together"
[5] McKinsey (July 2020). "Women as the next wave of growth in US wealth management" Universitaet Mannheim (June 2023). "Women and finance" FT Adviser (July 2022). FCA data shows just 16% of advisers are women
[6] FT (December 2020). "Women outpace men in signing up to investment platforms"
[7] World Economic Forum (June 2023). "Global Gender Gap Report 2023"
[8] DWS CIO View Special (November 2023)."Female finance: the benefits of diversity"

1 / A long road to independence and wealth

1.1 Women and education

The inclusion of women into the academic, political, economic, financial, and even sporting arenas of the world has been a relatively recent phenomenon. Take academia, access to higher educational facilities for women only began to emerge from the 1850s. This included the founding of Queen's College in London in 1860, and the entry for women to the universities of Cambridge and Oxford in 1869 and 1920 respectively. However, for other academic institutions such as Princeton and Yale such progress had to wait until 1969.

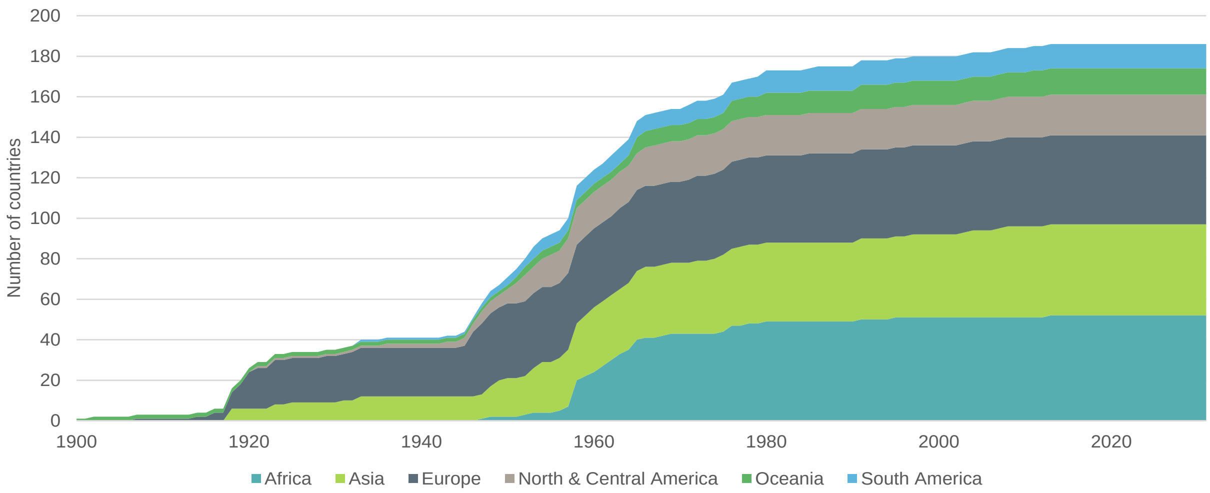
Today, girls are outperforming boys from early education to university in many countries[9]. At college level, women in the United States now account for almost 60% of all college students.[10] In the European Union, 42% of the population aged between 25 and 34 years old have tertiary education but when it comes to gender, 48% of European women have benefited from a tertiary education compared to 37% for men.[11] This has led to a radical transformation of the composition of universities over the last 60 years.

1.2 Women and suffrage

The first countries in the world to permit women to vote occurred little more than 100 years ago in New Zealand (1893), Australia (1902) and Finland (1906) with Canada, Germany, and the United States following more than a decade later. However, these were the outliers as it took another 40 years for countries such as France, Italy, and Japan to extend the vote to women and even later in Switzerland (1971) and Portugal (1976). Today, around 194 countries across all continents have granted the right for women to vote, Figure 1.

This has been followed by an increase in female representation in national parliaments. At a global level, the proportion of seats held by women in national parliaments rose to 27% last year,[12] compared to 11% in 1995. However, this masks a significant divergence with women in Finland, Norway and Sweden holding 46% of seats of their national parliaments compared to less than 20% in Japan, India, and Brazil.[13] Female heads of government or central bank governors are also still a rare breed. Currently, only 13% of the world's political leaders[14] and 16% of the world's 185 central bank governors are women.[15]

Figure 1: Number of countries allowing women the right to vote in national elections, by year



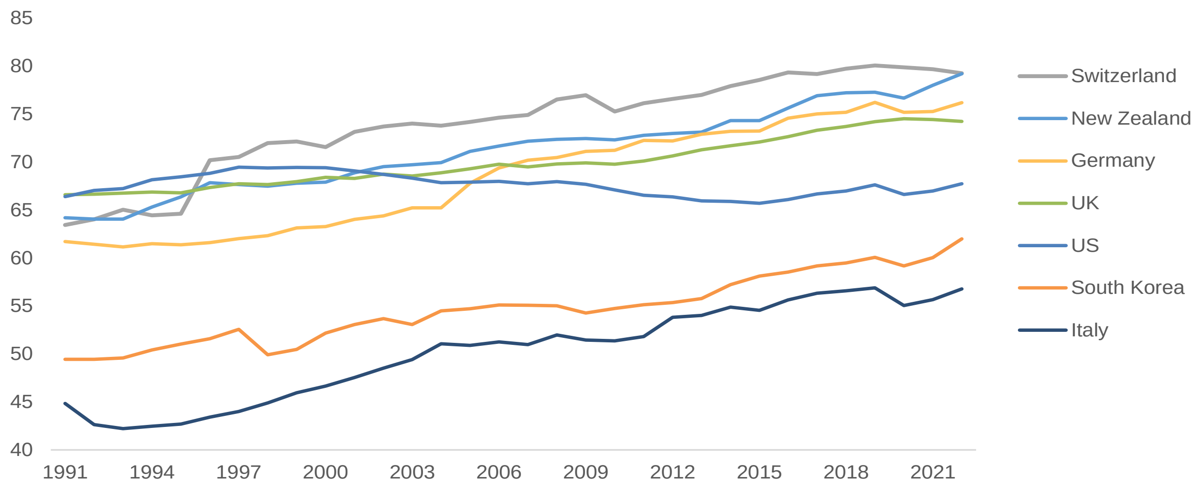
Source: World Population Review database(September 2024) Data from 1900 to August 2024 https://worldpopulationreview.com/country-rankings/womens-right-to-vote-by-country

[9] BBC (January 2024). Cambridge study finds girls outperform boys at school
[10] U.S. Department of Education (Latest data 2022). National Centre for Education Statistics
[11] Eurostat (May 2023) More women than men held tertiary degrees in 2022
[12] World Bank data portal https://genderdata.worldbank.org/en/indicator/sg-gen-parl-zs
[13] UN Women. Facts and figures: women's leadership and political participation
[14] Council on Foreign Relations (August 2024). Women's power index
[15] OMFIF (August 2024). Gender balance index 2024

1.3 Women and the workforce

It has also been a slow march for women entering into the workforce. In the developed world, it came out of necessity when European and American men went off to war in 1914 and 1939. For the United States this saw around 6.7 million additional women entering the workforce, including women serving in the war effort for the first time, which increased the female labor force by approximately 50% during the war years.[16] However, this newfound purpose was short-lived with female labor participation falling significantly in the two years after the end of WWII. A more longer lasting impact on both female education and labor force participation was contraception and family planning, which emerged in the 1960s. According to one study, by 2000 it was estimated that over 250,000 American women were able to obtain bachelor's degrees because of contraceptive access.[17] In so doing, American women were able to delay childbirth and increase the investment in their own human capital in the form of schooling and careers which paid off in terms of higher earnings.

Figure 2: Female labor force participation rate (age 15-64, %)



Source: World Bank, Latest data as of 2022.

Around the world, the career specialization for women has evolved from the traditional vocations of nursing and teaching to the disciplines of science, finance, and law, which typically command significantly higher salaries. In the United States, women now make up 35% of the employees in the 10 highest-paying occupations up from 13% in 1980. This has delivered significant financial success since employees in the 10 highest-paying occupations typically earn in excess of US$100,000 a year, double the U.S. national average of US$41,000.[18] Even so, women remain the minority in 9 of the 10 highest-paying occupations and the share of women across all 10 of these occupations (35%) is well below their share in the overall U.S. workforce (47%).

In the asset management industry, globally, about 1 in 8 fund managers is a woman.[19] That ratio has not meaningfully changed in over a decade, even as teams have grown, and more professionals have entered the field. In 2022, only about 12.5% of portfolio managers across funds based in the U.S. were female, almost unchanged from 10 years ago while just about 26% of over 10,000 funds in the U.S. were led by a team that included at least one woman.

Even though there has been progress in women's inclusion in industries with high paying jobs, women are still underrepresented, especially at mid and senior ranking positions. One of the possible explanations could be found in the research by an American economist Claudia Goldin, who made history for being only the third woman to win the Nobel Prize for Economic Sciences in 2023. Her research on women's labor market outcomes highlights that women are less likely to take so called "greedy jobs": jobs that pay more in exchange for long, inflexible hours. In marriage and parenthood, women are often expected to step back in their careers, while men – to step forward. This is considered to be a key contributor to the gender pay gap in the U.S.

[16] U.S. Census Bureau, Department of Commerce
[17] Institute for Women's Policy Research (September 2019). The economic effects of contraceptive access
[18] Pew Research Center (November 2023). Women have gained ground in the nation's highest-paying occupations, but still lag behind men
[19] Morningstar (March 2024). "Women in Asset Management Are Confronting the Gender Gap"

1.4 Women and sport

Three years after British women were given the vote[20] in 1918, the UK Football Association (FA) announced its ban on women playing football at the professional grounds and pitches of clubs affiliated to the FA. British women had to wait 50 years for the ban to be lifted. Since then, the participation of women in sports has been on the ascendency with boxing, rugby, and BMX biking now all part of the Olympic program for women. When it came to the 2012 London Olympics, the games had the highest percentage of women athletes than any previous Summer Olympics. In addition, there were women competitors in every sport and no country prevented women participating in the Olympics.[21] And when it comes to the financial rewards for women, 2007 marked the first time that the winner of the women's Wimbledon final was paid the same sum as the men's tennis champion.[22]

1.5 Women and finance

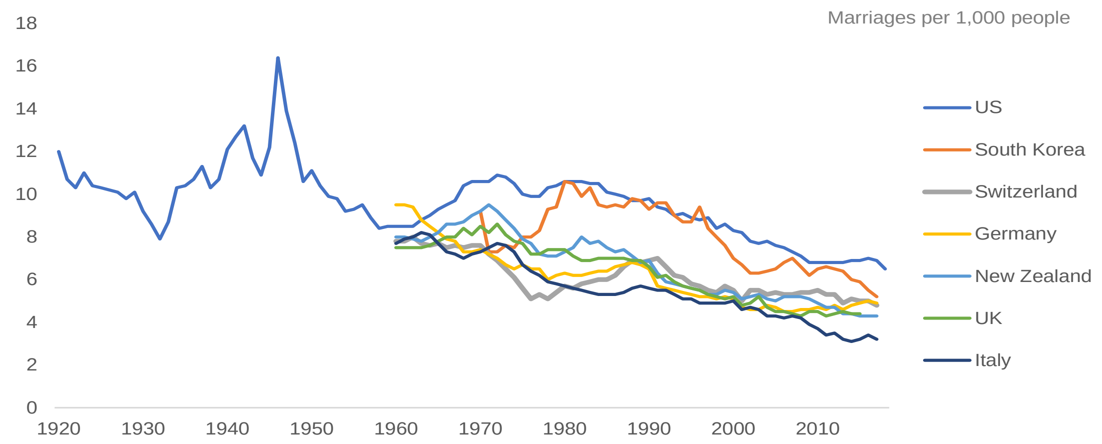
Women have also had to endure discriminatory laws in areas such as housing, mortgages, and inheritance. For most western democracies, the ability of a women to open a bank account without the authorization from her husband only began to emerge around 65 years ago: Germany (1958)[23] and France (1965)[24], and later in the United States (1974)[25] and the UK (1975).[26] In countries across South Asia, the Middle East and North Africa women and girls still do not have the same rights to own and inherit land as men and boys or to access financial services.

1.6 Women and society

As women have gained their political rights and economic and financial independence, we have also seen a trend towards declining rates of marriage, the rising incidence of cohabiting with a partner outside marriage and more women living alone.[27] This has placed greater responsibilities on women, for example, in the management of their finances which is often different to men particularly when it comes to time horizons, since women typically outlive men by five years.[28]

The long overdue progress of women in society and in the political, economic, and financial life of countries around the world has meant women are now becoming an even more important player when it comes to wealth creation and investment, trends we explore in the next section.

Figure 3: The declining incidence of marriage



Source: OurWorldInData (September 2024). Latest data 2018

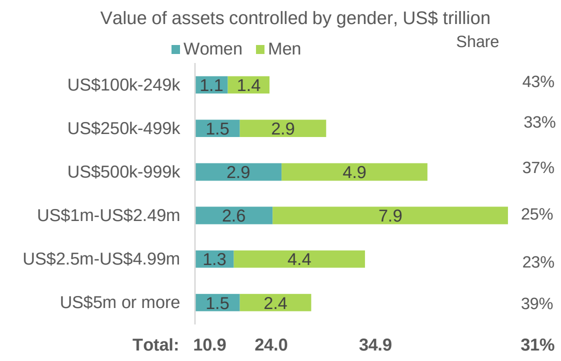
[20] From 1918 to 1928, women could vote at 30 with property qualifications or as graduates of UK universities, while men could vote at 21 with no qualification. From 1928 women had equal suffrage with men.
[21] University of Toronto (September 2013). The London 2012 Olympics: a gender equality audit; In the 2024 Paris Olympics two Afghani sisters competed for their country but in defiance of the Taliban government which bans women from sport
[22] Reuters (August 2007). Women to receive equal prize money at Wimbledon. In 1973, the US Open became the first sporting event in the world to offer equal prize money for its male and female competitors
[23] N26 (August 2022). "Financial independence for women – why it's still so much harder to achieve"
[24] BNP Paribas: "French women's journey towards financial independence"
[25] Forbes (March 2023). When could women open a bank account?
[26] NatWest Group: Women in banking
[27] OurWorldInData
[28] UN world population prospects (2024)

2 / Women investors today

2.1 Women and wealth management

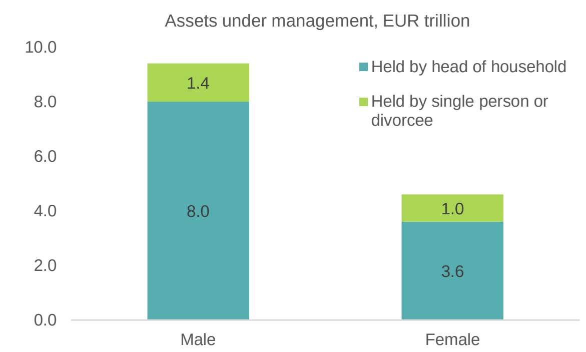
As women's participation in economic activities grow, and earnings' potential increases, so women investors are becoming a more important force in wealth management. Currently around a third of the world's wealth is held by women, with about half of this in the U.S., where women control more than US$10 trillion in assets, Figure 4a.[29,30] By 2030, the Baby Boomer generation will shift more than US$30 trillion in financial assets—an amount that approaches the annual GDP of the U.S.—into the hands of American women.[14] In Western Europe, one survey shows that women hold around a third of assets under management, Figure 4b.[31]

Figure 4a: Women in the United States control more than US$10 trillion in assets



Source: McKinsey (July 2020). Women as the next wave of growth in U.S. wealth management

Figure 4b: Women in western European hold around €4.6 trillion in assets under management



Source: McKinsey (June 2020). Wake up and see the women: Wealth management's underserved segment

This wealth boom is also captured in the percentage of women millionaires and billionaires worldwide, which continues to reach record numbers. In 2000, there were only four women in the list of the world's 100 richest individuals. By 2024, this number had reached 15.[32,33] As women grow wealthier, their opportunities to invest become more expansive, raising the importance of women investors, and equipping them with the proper tools and resources. A 2019 report estimated that by 2025, 60% of UK wealth will be held by women, who often take control of family wealth when their husbands die.[34]

2.2 Women's participation in investing is on the rise

Looking at women's investment behaviors right now, there is a notable gender gap in investment activity across the globe. For instance, women in Europe invest an average of 29% less than their male counterparts, according to research by N26, a German neobank.[35] In Spain, women allocate 15% less of their monthly incomes towards investments than their male counterparts do. In Austria, women invest more than the broader European demographic, but still 27% less than Austrian men. The largest gaps exist in Germany and France, where men invest a staggering 43% more of their monthly income than women. Across Europe, women have expressed an interest in increasing their investment frequency, reflecting new opportunities for financial institutions to support women investors.

The research by N26 also indicated that a lack of money was noted as the biggest obstacle among investors (45%).[36] An even higher percentage of non-investors (54%) also cite a lack of money as the most common issue preventing them from investing. This may indicate larger, systemic challenges, such as pay disparities or the financial burden of caring for young children faced by women today. In addition, women's disposable income is impacted by the price discrepancies between items marketed

[29] Bank of America (March 2024). "The rising wealth of women"
[30] McKinsey (July 2020). "Women as the next wave of growth in US wealth management"
[31] McKinsey (June 2020). "Wake up and see the women"
[32] The Economist (March 2018). "Women's wealth is rising"
[33] Forbes (August 2024). "Forbes Richest World's Billionaires List 2024"
[34] Centre for Economic and Business Research
[35] N26 (March 2024). "Women and investing: Closing the gender gap"
[36] N26 (March 2024). "Women and investing: Closing the gender gap"

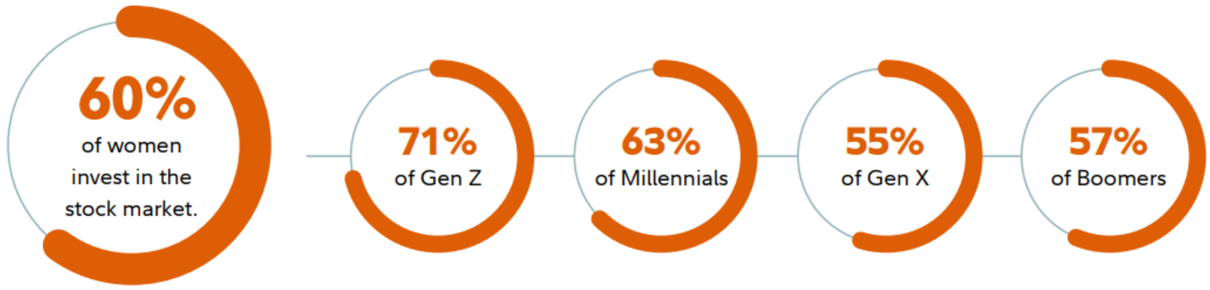
toward women and men, especially in areas such as clothing, cosmetics and beauty services, and the societal expectations for their appearance.

Families from non-white racial and ethnic groups are also less likely to participate in the capital market compared to white families. In the U.S. in 2022, nearly two-thirds of white families (66%) owned stocks directly or indirectly, compared with 39% of black families and 28% of Hispanic families, according to the Federal Reserve's Survey of Consumer Finances (SCF).[37] Furthermore, the mean (or average) value of total stock holdings was $568,100 among white families, US$97,400 for Hispanic families and US$80,400 for black families.

LGBTQ+ are also less likely to use key financial and investment products. According to one survey, LGBTQ+ Americans are less likely to use important financial tools such as a retirement account (36% for LGBTQ+ vs 51% for general U.S. population), non-retirement investment account (13% vs 56%), and life insurance (42% vs 56%).[38]

In the United States, the gender gap in investing is witnessing more optimistic trends. Approximately 60% of American women actively invest in the stock market and nearly three quarters of millennial women, aged 25 to 40 years old, are investing outside of their retirement accounts.[39] Generationally, Gen Z women outpace all other generations in terms of the amount of women who say they invest in the stock market – 71% of Gen Z compared with 63% of millennial women, 55% of Gen X women, and 57% of Baby Boomer women, Figure 5.[40]

Figure 5: American women are investing, with Gen Z women leading the way



Source: Fidelity (October 2023). "Women tapping into their financial superpower"

It is estimated that the total wealth of women in Asia, excluding Japan, reached US$13 trillion in 2019 and will reach US$19 trillion this year, giving the region the world's highest growth rate of women's wealth.[41] It also means that women in Asia are expected to hold more wealth assets than women in any other regions in the world outside of North America by the end of 2023. In Asia, women's investing also evokes more importance in the event of divorce and separation as women have a higher dependency on men for income than other parts of the word. In China, over 80% of urban women wish to become more independent economically, showing a stronger motivation than men for financial empowerment, a recent survey has found[42]. With other surveys showing that women expect to become financially independent at the age of 37, four years ahead of the expectation of men.[43] And that 82% of female respondents in another survey wanted to be in better control of their own financial situation.[44]

[37] Pew Research Center (March 2024). "A booming U.S. stock market doesn't benefit all racial and ethnic groups equally"
[38] The Motley Fool (April 2024). "The State of LGBTQ Finance: A Survey of 2,000 Americans"
[39] Fidelity (October 2023). "Women tapping into their financial superpower"
[40] Fidelity (October 2023). "Women tapping into their financial superpower"
[41] BCG (April 2020). "Managing the next decade of women's wealth"
[42] SCMP (March 2022). "Chinese urban women: more than 80 per cent want to be more financially independent, survey reveals"
[43] Fidelity (March 2022). "Fidelity global women and money study"
[44] Fidelity (March 2022). "Fidelity global women and money study"

2.3 People typically invest based on their risk attitude, not gender

Multiple academic studies have investigated the lower participation of women in financial markets compared to men and concluded that the difference may be explained by risk attitudes and not by their gender.

Apart from a few studies that find contradicting results, the literature has shown that women are in general more risk averse than men[45]. A 2018 study by Falk et al.[46] shows that, conditional on other factors, women are significantly less risk tolerant than men worldwide. This is in line with similar research by Dohmen et al.[47] in 2011, which found that among the German adult population, not only are women more risk averse than men in general, but that this risk attitude holds across all aspects of life—in sports, driving, financial matters, career, and health—and after controlling for a number of demographic and economic factors.

A 2020 in-depth study on capital market participation of German households further confirmed that the variation in the participation in risky assets and the share held in such assets were not a result of the investor's gender.[48] The article suggested that risk averse men shy away from the capital market much more strongly than their otherwise identical, female counterparts. That is, when a man and a woman of similar risk aversion are compared, the gender effect in capital market participation rates drops by roughly one third and it shrinks to half that size when additionally controlled for a whole battery of socioeconomic characteristics. Researchers do not find a significant gender gap in the conditional share of risky assets held in the household's total financial assets. Yet, once women participate in capital market assets, their portfolios look slightly different than men's: while men tend to invest more in listed shares and certificates within their menu of risky assets, women prefer fund shares and fixed-income securities.

Other studies confirmed that, once controlled for risk aversion, the gender difference in the risky asset share in a portfolio is somewhere between 0 and 3%, depending on the study.[22]

2.4 Life differences make women less risk tolerant

There are various explanations for the generally lower risk tolerance for women. Some say that in primitive societies men were forced to fight to gain status and to compete for positions of power, while women were more likely to be caregivers.[49] Another explanation suggests that men tend to have more sensation-seeking personalities, where risk is part of their enjoyment.

However, there are academic studies suggesting that the truth about risk attitude of women is more nuanced. Research by Fischer and Yao in the Journal of Economic Psychology[50] suggest that men and women do not think about investment risks differently. Instead, the differences in financial risk tolerance between men and women are due to the individual factors that influence risk tolerance. The study investigated different factors and found that two of them had significantly different relationships with financial risk tolerance among men and women. Income uncertainty had a negative effect on having risk tolerance among women, but a positive effect on men's likelihood of having risk tolerance. It is possible that the types of income uncertainty experienced by men and women differ. Further, higher net worth was positively associated with men having high risk tolerance.

A parallel can be drawn with actuarial approaches used to calculate car insurance premiums. Car insurance often cost less for women than it does for men. While insurance premiums are not based on gender, they account for choices made by individuals.[51] Men and women often make different lifestyle choices that insurers are legally entitled to consider when working out a premium. For example, men are more likely to choose more expensive, powerful cars while women opt for compact, practical vehicles with good manufacturing reputation and lower servicing costs; or men are also more likely to commit traffic offences (as nearly 80% of motoring offences are recorded as being committed by men).

[45] A DBS-CRISIL survey published in January 2024 revealed urban women in India tend to be risk averse, with a typical asset mix being 51% in fixed deposits and savings, 16% in gold and just 7% in stocks
[46] A. Falk et al. Quarterly Journal of Economics (November 2018). "Global Evidence on Economic Preferences"
[47] T. Dohmen et al. Journal of the European Economic Association (June 2011). "Individual risk attitudes: measurement, determinants, and behavioral consequences"
[48] J.-C. Fey et al. (May 2021) "Risk attitude and capital market participation: is there a gender gap in Germany?"
[49] Harvard Business Review (December 2020.) "How the Gender Balance of Investment Teams Shapes the Risks They Take"
[50] P.J. Fisher and R. Yao, Journal of Economic Psychology (September 2017). "Gender differences in financial risk tolerance"
[51] Hastings Direct. "Women's car insurance"

2.5 Are women better investors?

Women not only have the potential to invest more, but their investments also tend to generate higher returns over a 10-year period. According to a 2021 Women Investing Study by Fidelity, investments made by American women outperformed those made by men by 40 basis points.[52] Similarly, research from Warwick Business School indicates that women's investments outperform men's by 1.8 percentage points annually.[53]

Several factors may explain these differences, including less frequent trading, staying invested during market downturns, using stop-loss orders and following the advice of their financial advisor more closely than men[54]. A study by the University of California-Berkeley revealed that men traded 45% more than women in the 1990s.[55] This excessive trading reduced men's net returns by 2.65% annually, compared to 1.72% for women. This trend continues today; in 2020, Vanguard found that women were 50% less likely than men to trade actively.[56] Additionally, a FinanceBuzz survey showed that 60% of men check their investment portfolios weekly, compared to only 41% of women.[57]

A 2023 Fidelity survey revealed that women are more likely than men to wait out market volatility. While 43% of men said they would do nothing and 9% would decrease their investments during market turmoil, 51% of women would wait out the volatility, and only 6% would decrease their investments.[58] Research by Capital.com found that 43% of female traders set up stop-loss orders on over half of their trades, compared to 35% of men.[59] Stop-loss orders are often used as a risk management tool to limit losses. In addition, another survey found that women typically following the advice of their advisor more closely than men[60].

2.6 Women want to align investments with their goals

Women are also more likely to invest based on social and environmental goals.[61] UBS's Investment Sentiment Survey highlighted that 71% of women consider sustainability when making investment decisions, compared to 58% of men.[62] A client survey by RBC Capital Management found that 74% of women were interested in increasing their share of investments which consider ESG factors in their portfolios, compared to 53% of men.[63] While a J.P. Morgan study[64] found sustainable investing is important for 72% of women, compared to 67% for me. This tendency is also evident among investment funds; private equity firms that are at least 50% women-owned are 6.8% more likely to pursue impact investments, which target specific environmental or social factors, according to a study by scholars from the U.K., Ireland, Belgium, and the U.S.[65] In terms of the environmental and social goals, one study found that poverty, healthcare, and climate change were among the most important issues concerning women.[66]

[52] Fidelity (October 2021). "2021 Women and Investing Study"
[53] Warwick Business School (June 2018). "Are women better investors than men"
[54] Fidelity (March 2023). "Women are combatting financial stressors by embracing community and trailblazing together"
[55] B. M. Barber and T. Odean. The Quarterly Journal of Economics (February 20001). "Boys will be boys: Gender, overconfidence and common stock investment"
[56] Vanguard (September 2021). "The rise of the female investor"
[57] FinanceBuzz (May 2024). "Women and Investing: The surprising statistics you should know"
[58] Fidelity (October 2023). "Women tapping into their financial superpower"
[59] Capital.com (April 2022). "Are women better trades than men? Get the data"
[60] J.P. Morgan (April 2021). "Women and investing: planning for the future"
[61] Fidelity (March 2023). "Women are combatting financial stressors by embracing community and trailblazing together"
[62] UBS (February 2022). "Women and Investing: Reimagining wealth advice"
[63] RBC Capital Management (April 2021). "Women are leading the charge for Environmental, Social and Governance (ESG) investing in the U.S. amid growing demand for responsible investing solutions"
[64] J.P. Morgan (April 2021). "Women and investing: planning for the future"
[65] B. Xiao et al. M.J. Brennan Irish Finance Working Paper Series (April 2023). "Does Gender affect the investment strategy of Private equity and Venture capital firms? Evidence from Impact investing"
[66] Moxie Future (2018). "Understanding female investors"

3 / What's next for women investing?

3.1 Women's prosperity to propel the global economy

Closing gender disparities will not only impact women on the individual level, but also can provide a boost to the global economy. If women and men were to participate equally as entrepreneurs, global GDP could increase by 3-6 percentage points, boosting the world economy by US$2.5-5 trillion.[67] The European Investment Bank estimates that greater gender diversity in the workforce could lead to a potential increase of 26% of annual global GDP and US$160 trillion of human capital wealth, and could enhance business performance by 15%.[68] Improved gender equality could boost the long-term competitiveness of the EU economy and increase EU GDP per capita by 6.1% to 9.6%, which amounts to between €1.95 and €3.15 trillion.[69]

Women workers and entrepreneurs play an important role in the global economy. More than 30% of micro-, small-, and medium-sized enterprises globally are women-owned.[70] At the same time, only one in five export companies in the world is a women-owned business.[71] Often these firms have a harder time convincing finance providers to give them grants, loans, or other support to grow their businesses and trade. They also have fewer connections with buyers, suppliers, and other critical actors for their exporting needs. 70% of these women-owned small- and medium-sized enterprises (SMEs) report being unbanked or underbanked, which translates to a roughly $300 billion market opportunity for financial service providers.[72]

Since economic development and gender equality go hand-in hand, higher investments in supporting women should be a priority. According to UN Trade and Development, gender-related aid doubled over past decade, jumping from US$26 billion to US$52 billion in 10 years.[73] In 2012, gender-related aid made up just 5.4% of total aid. By 2022, the share had risen almost six-fold to 30.1%. At the same time, 90% of the gender-related aid went to projects where gender equality was a significant but not the principal goal. Only a small share of the aid had gender equality as its primary objective.

While grants remain the predominant form of gender-related aid (at nearly 70%), the share of loans increased significantly in the past decade. Indeed, many microfinance programs have been focused on women. Studies have shown that women are often the 'change agents' of the family.[74] This is primarily because women spend a greater percentage of their income on the welfare of their households than men. As a direct result, the health, nutrition and educational status of the household, particularly the children, is more likely to improve. Targeting women also makes commercial sense for microfinance institutions because they have been proven to be more reliable borrowers and are more likely to repay promptly.[75]

3.2 Opportunity for asset managers

As women increasingly engage in paid labor and entrepreneurship, and as the wage gap gradually narrows, their wealth grows, expanding their opportunities for investment. A 2021 study by BNY Mellon showed that if women invested at the same rate as men, there would be an extra $3.22 trillion of assets under management from private individuals.[76] In Germany, if women aged between 20 and 60 years invested at the same rate as men, there would be an estimated additional €105 billion per year flowing into capital markets.[77]

According to Oliver Wyman, a consultant, there is at least a US$700 billion global revenue opportunity for the financial services industry in better serving women as customers, including US$25 billion in new fees for wealth and asset managers that could be received by helping women manage their investments in the same way as they do for men.[78]

[67] UBS (December 2023). "The funding gap. Investors and female entrepreneurs" European Investment Bank (June 2024). "New 2X Challenge announces US$20 billion target for investments for women"
[68] European Investment Bank (December 2023). "Funding women Entrepreneurs. How to empower growth"
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[70] World Bank, Enterprise Surveys (2024). Firms with female participation in ownership (% of firms)
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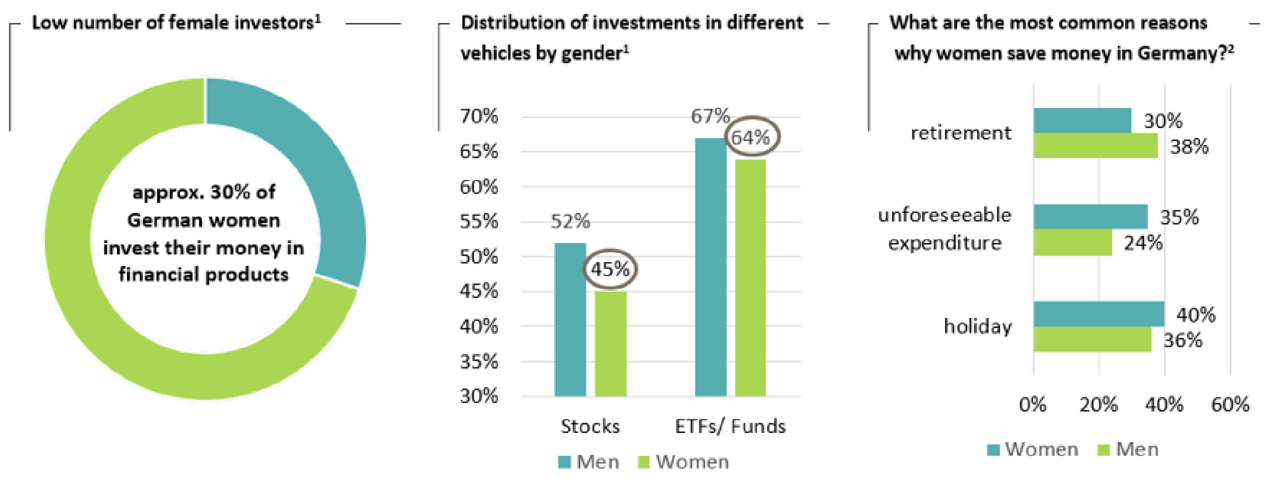
[73] UN Trade and Development (June 2024). "Gender-related aid doubled over past decade, but equality remains a distant goal"
[74] Lend with care. "Microfinance and women"
[75] International Labour Office. "Small change, Big changes: Women and Microfinance"
[76] BNY Mellon (2024). "The Pathway to inclusive investment. Why women's investment matters"
[77] Assuming the total population of 84,669,326 in 2023; aged 20 to 60 – 51.3%, among which women – 50.7%; a man invests €1331 monthly, while a woman invests €932 monthly based on the survey data by N26 from March 2022, "Female investment power – 2 in 3 German women plan to investment over 50% more in 2022"
[78] Oliver Wyman (2019). "A $700 billion missed opportunity. Ignoring women is costing financial services money"

It is reasonable to design investment products that are focused on women, but even more women would benefit from a personalized approach that is tailored to their financial objectives and personal goals. This might include addressing specific concerns—such as longevity and care giving responsibilities for children and aging parents—as well as providing education on investing and wealth management. One key difference in the way women consider wealth planning, compared with men, is that they plan and invest for life goals or life milestones, rather than fixating solely on investment returns.

Some surveys show that women prefer to speak to a female financial adviser.[79] Yet, women represent only around 15% of financial advisors in the U.S. and UK.[80] It is possible that women do not care about the gender of their advisor per se, but rather about being comfortable to talk about their financial goals and ways to achieve them. Preference for a female advisor may be similar to the preference for female doctors, which on average are likely to show more empathy, spend more time with their patients, and are more likely to address mental health concerns than their male counterparts. In Germany, a Sparkasse survey[81] show that 73% of women are dissatisfied with their financial advisor, 71% are dissatisfied with the service for investments, insurance and credit cards, 60% believe that advisors need to adapt their services more to women, and 80% believe that investment advisors do not understand their needs. Attracting and retaining female talent is a critical growth imperative for wealth management firms.

Access to investment services through digital channels can further help bridge the gender gap in wealth accumulation and capital market participation. Digital channels decrease the cost of access to financial services and help bypassing constraints imposed by social norms and limited mobility. The World Bank reports that digital financial services have contributed to a marked increase in women's access to financial services in many economies in recent years.[82] When looking at digital investment platforms, although men still dominate on the basis of the total number of users, women appear to be catching up, as women are signing up to investment platforms at faster rates than men.[83] As a large part of household responsibilities, including domestic duties and childcare, still typically fall on women's shoulders, digital platforms for financial services make it easier to fit into the day.

Figure 6: The untapped investment potential of women



Source: Klarna (March 2023). German women are reluctant to invest, Finns are in first place

[79] Handelsbanken (2024). "Gender and generation: unravelling the wealth gap"
[80] McKinsey (July 2020). "Women as the next wave of growth in US wealth management"
[81] Sparkassen Innovation Hub (July 2021). Female Finance (page 16 table)
[82] The World Bank. "Using Digital Solutions to Address Barriers to Female Entrepreneurship"
[83] Financial Times (December 2020). "Women outpace men in signing up to investment platforms"

4 / Proposals

The rise in women's wealth is reshaping finance. Women control about a third of global wealth[84] and this is expected to grow in the next decade. These trends can bridge gender inequality and benefit the global economy. However, more work needs to be done. In this section, we provide our proposals that may not only help to better serve women investors but also close the gender investment gap. We highlight the importance of:

(i) education and financial socialization

(ii) role of investment consultants

(iii) use of technologies in investment

(iv) differentiated products and

(v) the impact of role models and social media

4.1 Investment education & financial socialization

Providing education on personal finance and investing at school and universities could be a powerful tool towards inclusion of not only women, but also of people from various socio-economic backgrounds. In addition to more formal education, family financial socialization–a process through which one family member transmits financial knowledge, attitudes, and behavior to the others within the family setting–can have significant impact on the likelihood of participation in the capital market in the adulthood. A recent research article[85] by the University of Mannheim showed that within German households, financial matters are less frequently discussed with daughters than with sons, and women report more frequently that they did not acquire financial competences at school. A gender investment gap of 14.6% was found in the survey among more than 2,000 Germans and was explained by the lower financial literacy and financial confidence of women later in life. Financial socialization was also found to be a stronger predictor of women's propensity to participate in the stock market, than of men's.

The availability of high-quality online resources on finance and investing can also significantly enhance the inclusion of women and other underrepresented groups. It provides an opportunity to gain knowledge in less formal educational settings, providing flexible timing and ability to develop own opinions and approaches, without feeling judged or intimidated due to potential lack of previous experience.

4.2 Investment consultants

Financial advising is a male dominated field that needs to understand the importance of attracting female clients. One avenue to approach this is to attract and retain more women as financial advisors since in many countries women constitute no more than 20% of financial advisers.[86] Changing the perception of the industry to be a "boys' club" and seeing other successful women in the industry are just a few barriers that must be overcome. The language used by the wealth management industry is not helpful either, as the financial terms—which often describe relatively simple concepts in what appears to be complex ways—can put off people who are unfamiliar with the terminology, women included. When working with female investors, consultants should convey the "urgency of investing now" in a clear manner. Furthermore, when necessary, women should be made aware of multiple possibilities of low-threshold access to investing that exist today.

Male or female, financial advisors should be aware of unique needs and preferences of women from investing process, even if they might not be obvious. Among them is a need to fund longer retirement, further complicated by the fact of lower lifetime earnings due to gender pay differences and breaks associated with children or other caregiving responsibilities. Another unique attitude is women often care about tangible financial goals associated with life events (such as a childbirth, children's college tuition, retirement), rather than a more abstract goals of outperforming the market or portfolio returns.

[84] Bank of America (March 2024). "The rising wealth of women"
[85] A. Niessen_Ruenzi and V. Mueden (September 2023). "Financial socialization and the gender investment gap"
[86] McKinsey (July 2020). "Women as the next wave of growth in US wealth management"

4.3 Investment technologies

Similarly to online education, access to investment services through digital channels can further help bridge the gender gap in capital market participation. Digital investment platforms with an array of investment research, on-demand consulting services, educational resources and mobile access make it easier for women to engage with investing during the day, often filled with a primary job and a "second shift" at home. While men make up the majority of users of online platform, women are catching up. According to various European online apps,[87] the number of new female subscribers is outstripping men by a considerable margin. Digital channels are also especially impactful with the younger generations that are more comfortable with technology overall.

4.4 Investment products

Financial products, targeted campaigns, and differentiated services for women are beneficial if they facilitate easier introduction to and management of investments. Setting up dedicated teams for female clients, developing model portfolios with women's unique needs in mind, entrusting money to female fund managers and to asset management firms that have a strong focus on diversity and female empowerment are some of the ways to tailor the investment process and products towards women.

Another important matter to address in women's investing is the risk attitude and associated portfolio allocations and objectives. More broadly, this would tend to favor investment products which have embedded social and environmental factors.

As we discussed in the previous section, women investors also appear to be more risk averse than men. However, this should not be oversimplified or accepted as given. Left unchallenged, the divergence in risk attitudes may result in portfolio differences that perpetuate wealth inequality.

Simply telling women to be more risk tolerant is ineffective. It even might encourage women to take more financial risks than they can tolerate, which could lead to more problems in the future. For financial professionals it is important to understand what causes individual women to be less risk tolerant so that they can provide advice that is in the clients' best interest.

4.5 Investment role models & social media

Role models matter, particularly for women and other underrepresented groups. They can show what is possible and can inspire to reach higher goals. Research by the Abdul Latif Jameel Poverty Action Lab at MIT showed that in high-income countries, exposure to women role models often positively affects women students' participation and educational performance in men-dominated science, technology, engineering and mathematics (STEM) fields by improving students' perceptions and aspirations of having STEM careers.[88]

Another research study indicated that the role models must not necessarily be famous or well-known to the public; indeed, the research suggested that because their achievements appear more attainable, personally known role models may be especially valuable.[89] In the U.S., the proportion of the STEM workforce that were women increased by 3% from 2011 to 2021, reaching the women's representation of about one-third (35%) in STEM occupations.[90] Relatable role models in investing would help to attract more women to participate in the capital market.

Influence of social media on investing is also worth considering. It has made learning about financial topics more engaging and accessible for everyone. Retail investing volume has doubled over the past 10 years, reaching more than 20% of trading volume during some weeks in 2023.[91] So-called "finfluencers"–influencers who share financial advice on social media–may supersede traditional advice mediums in terms of popularity. While not all financial advice on social media is helpful (and can even be harmful), female finfluencers can still play an important role in motivating young women worldwide to master their finances. Some female influencers focus on importance of women's financial independence, which can be especially impactful in countries where men still earn a larger part of the household income.

[87] FT (December 2020). "Women outpace men in signing up to investment platforms"
[88] The Abdul Latif Jameel Poverty Action Lab, MIT (December 2023). "Advancing women's representation and opportunities in STEM fields through exposure to role models"
[89] C. Midgley et al. Psychol Women Q (June 2023). "Maximizing Women's Motivation in Domains Dominated by Men: Personally Known Versus Famous Role Models"
[90] National Center for Science and Engineering Statistics (2023). "Diversity and STEM. Women , Minorities, and Persons with Disabilities"
[91] Forbes (March 2024). "The power of the retail investor"

Conclusion

The seeds of the rising wealth boom among women were sown over a century ago when access to higher education and the vote began to emerge in countries around the world. However, women had to wait at least another 50 years to become financially independent with the ability to open bank accounts and own property. What has emerged is a wealth boom as the percentage of women millionaires and billionaires worldwide hit record levels.[92] Today, women are estimated to control around a third of global wealth, and this is expected to grow over the next decade.[93]

These trends are helping to reshape finance with efforts to better serve women investors and capture this investment opportunity underway. This will help to increase the participation of women in capital markets, bridge the gender investment gap and ultimately benefit the global economy. Asset managers need to take action to help them on their way.

[92] Forbes (April 2024). "The richest women in the world in 2024"
[93] Bank of America (March 2024). "The rising wealth of women"

Glossary

Digital financial services: Digital finance is the term used to describe the impact of new technologies on the financial services industry. It includes a variety of products, applications, processes and business models that have transformed the traditional way of providing banking and financial services.

ESG Criteria: A set of standards for a company's operations that socially conscious investors use to screen potential investments: Environmental (how a company performs as a steward of nature); Social (how a company manages relationships with employees, suppliers, customers, and communities); Governance (company's leadership, executive pay, shareholder rights, etc).

GDP: Gross domestic product measures the monetary value of final goods and services, that is, those that are bought by the final user, produced in a country in a given period of time, typically over a the month or 12 month period.

Financial socialization: A process of learning and advancing values, knowledge, norms, standards, attitudes, and behaviors that promote financial viability and individual well-being.

Impact investments: An investment strategy that aims to generate specific beneficial social or environmental effects in addition to potential financial gains. Impact investments may take the form of numerous asset classes and may result in many specific outcomes. The point of impact investing is to use money and investment capital for positive social results.

Inflation: The rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

Investing: Investing involves selecting particular assets with the goal that there may be a higher return. It is also about putting money away for the future, for long-term growth potential (i.e., money increasing in value) in exchange for taking on more risk (i.e., the chance of losing money is higher). Money is usually invested in stocks, funds, or bonds, where a person could get back more or less than they originally put in.

Microfinance institutions: Financial institutions that are characterized by their commitment to assisting typically poor households and small enterprises in gaining access to financial services.

MIT: Massachusetts Institute of Technology is a research university based in Cambridge, Massachusetts, US.

Neobank: A type of direct bank that operates exclusively using online banking without traditional physical branch networks.

Return: A performance measure of an investment. It measures the earned income of an investment over a specific time period.

Saving: Saving generally involves putting money into cash products, such as a savings account in a bank. Compared to investing, saving typically results in a lower return, but it involves historically much less risk (i.e., the chance that a person will lose the money is very small).

SME: Small- and medium-sized enterprises SMEs are companies with no more than 250 employees and an annual turnover of no more than 50 million euros.

Sparkasse: A savings bank whose primary purpose is collecting deposits on savings accounts that are invested on a low-risk basis and receive interest.

Stop-loss order: An order placed with a broker to buy or sell a specific stock once the stock reaches a certain price. It is a tool used by investors to limit losses and reduce risk exposure.

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