Knowing Women

A financial advisor’s guide to opportunity.

ENGAGING FEMALE CLIENTS IN BRAVE CONVERSATIONS ON RETIREMENT.

BNY MELLON RETIREMENT
The growing economic impact of women is unmistakable.

Women currently influence more than half of the nation’s wealth, and by 2020, that number will rise to two-thirds.¹ They are educated professionals who take on the world with great confidence every day, meeting the diverse responsibilities of their work lives, their family lives and beyond. How can we help empower women to assume even greater control over their financial lives? With the help of a financial expert like you.

At BNY Mellon Retirement, we know that having a financial plan leads to better targeted retirement outcomes, and that no one can help investors achieve their targeted outcomes better than a trusted advisor. This guide presents a best practices approach to working with female investors. It outlines their financial planning challenges and concerns, and offers suggestions for connecting in ways that resonate. Armed with this information, you’ll help women become even more confident stewards of their futures – and build your practice.

By 2020, women will control two-thirds of the nation’s wealth.¹

Women yield trillions in purchasing power.²

Women earn 57% of Bachelor’s, 60% of Master’s and 51% of Doctorate degrees.³

Women represent 51% of the labor force, and 51% of professional occupations.²

We know that knowledge turns worry into confidence. And confident women, knowing women, take control of their financial lives and are more likely to have successful retirement outcomes.

²Forbes.com, Closing the Gap on Women and Investing.
³U.S. Department of Education.
The opportunities for advisors are significant.

With their growing economic power, women as a demographic segment present real opportunities for financial advisors. As the ones most likely to be widowed, women frequently manage sizeable inheritances – and often without the guidance they need. Your shared expertise could be invaluable, especially for the 69% of female investors who are not currently using an advisor. Recent studies have shown that many female investors do not feel well-served by the financial industry, and 70% fire their advisors within one year of the death of their spouse. This confirms the necessity of maintaining strong relationships with both partners in the relationship, and the importance of knowing that female investors may approach investing differently than men. The good news is that research also shows that financial advisors are valued and that when female investors find the right advisor, they are highly loyal.

THE LANDSCAPE AND THE OPPORTUNITY

Only 31% of female investors are using financial advisors.1 70% fire their advisors within one year of the death of their spouse.2 86% of Baby Boomers say advisors make them better prepared.3 90% of affluent women are satisfied with their advisor.4

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To help female investors and their financial advisors work together more effectively, BNY Mellon Retirement has launched Knowing Women, a program that approaches retirement from a woman’s unique perspective. Our program takes advantage of the gains made in behavioral finance using a model suggested by Nir Eyal, a leading thinker on the intersection of psychology, technology and business. According to Eyal, to help create positive change, your clients need three things: the motivation to change, the ability to change and, finally, a trigger or reminder to take the action.

**MOTIVATE**

Motivates your clients to get engaged by clearly outlining the planning goals they need to address, and suggesting a goal-based investing approach.

**ENABLE**

Empowers your clients to be successful by offering key education. It also arms you with whitepapers, training seminars, presentations and the guide you are holding now.

**TRIGGER ACTION**

Triggers desired behaviors by actively encouraging women to work with an advisor, and by helping to bring female investors directly to your office.

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What are the planning challenges women face?

UNDERSTANDING THE COMPOUNDED NEEDS OF FEMALE INVESTORS

As caregivers for the family, as the ones most likely to be widowed, as the ones responsible for their own long-term care, women face serious headwinds when striving to achieve their targeted retirement outcomes. They have challenges ahead of them that most men do not. By helping female investors focus on these issues, and by presenting expert financial recommendations, you demonstrate your understanding of their lives, their challenges and the goals that matter most to them.

The Consequences of Caregiving

When a family member is sick or in need, the woman in the family is most likely to provide the care. Women will often stop working, cut back their hours and even retire to care for a spouse, child or parent. The result? Fewer assets to pay for their own care as they have expended them on behalf of others. Women and their families may not be thinking of this implication, but it is important that you do so.

Due to their caregiving role, women work 12 years fewer than men over the course of their careers.

An estimated 66% of caregivers are female.

HOW YOUR EXPERTISE CAN HELP:

Help female investors understand the ramifications of being a caregiver and guide them in planning for this critical issue. Given that women provide care for their spouses and spend down their assets doing so, providing a supplement to cover their period of need would mitigate this negative implication. And with spouse disability insurance, each partner’s future still remains secure.

Caregiver meetings with family members are another recommendation you can make. Children or grandchildren may be unaware that Mom is spending down her assets and may be able to subsidize the caregiving in some way so she can continue to work and earn income. You can help facilitate this discussion, and get to know the children and other important family members at the same time.

## The Impact of Longevity

Women are four times more likely than men to be widowed,\(^3\) and will outlive their spouses by an average of 14 years.\(^4\) For women with partners, that leaves many years with less total household income as they age, and a greater reliance on Social Security. For this reason, two of the most important decisions for your clients are the timing and method they choose for claiming Social Security.

### HOW YOUR EXPERTISE CAN HELP:

Put long-term plans in place to help female clients achieve the income they will need for their longer lives. Help them decide if they should **claim their own or spousal Social Security benefit** at an earlier age, or if they will need the higher payment that delayed claiming can afford them. With all the increased costs your female clients experience with age, this decision alone is crucial to a successful retirement. For example, today a woman at age 62 might claim an annual benefit of $22,500. At age 66, the benefit increases to $32,000, and at age 70 to $48,900.

Similar to how life insurance protects the family in case of death, **longevity insurance** protects your clients from outliving their savings. You can also discuss the financial pros and cons of taking a **survivor annuity payment** on the partner’s pension with your married clients, rather than taking the larger payment based solely on life expectancy. This is also true of annuities the couple may have purchased.

### 59
Median age women lose their spouse\(^6\)

### 75%
Percentage of women who are widowed at age 85\(^5\)

## The Cost of Long-Term Care

While women are living longer and healthier, they will generally need, at some point, long-term care. When planning for this need, note that women who need long-term care typically need five years of support care, including up to three years of more extensive care.\(^6\) Men spend only half that time needing care at that level.

How much money is needed for long-term care? First, consider that women need approximately $45,000 more at retirement than men do, just to cover general medical expenses during retirement (Medicare premiums, prescription drug costs, co-payments).\(^7\)

Next, long-term care costs can run anywhere from $40,000 to $80,000 per year once the support is needed.\(^5\) If both spouses need care, the lifetime cost of long-term care could amount to $1 million or more.\(^7\)

### HOW YOUR EXPERTISE CAN HELP:

Take the lead in making sure your clients are financially prepared. Since most care happens toward the end of life, there is ample time for planning. Remember that long-term care shocks, by their nature, are unpredictable. Therefore, **stress testing** your clients’ plans is advisable, even for wealthy clients. Obviously, given that women may require long-term care for several years, **long-term care insurance** has clear planning benefits.

### $200,000
Average lifetime cost of healthcare\(^8\)

### 4.7 – 5.8
Number of years average woman will need long-term care\(^3\)

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How can you help further empower women?

SHARING FINANCIAL KNOWLEDGE WITH FEMALE INVESTORS

Women have complex lives, overburdened schedules and responsibilities extending far beyond work. Their concerns are diverse, but what many women worry most about when it comes to financial planning and investing is not knowing. Women are much more likely than men to underestimate their own financial knowledge. Sixty percent of surveyed men rank themselves as very or somewhat knowledgeable about personal finance compared to just 48% of women.

Women lack the time and self-assurance to handle their financial planning.

You can help.

The good news is that women want to know and are eager for more in-depth discussions with financial advisors. BNY Mellon Retirement recognizes that the industry needs to play a greater role in helping female investors take control of their financial futures by delivering clear, simple financial planning advice. To help you have more meaningful conversations, we provide a compelling framework for educating your clients on the financial behaviors that will help them achieve their targeted outcomes.

What prevents women from having more control over their finances?

- Lack of confidence with financial management: 23.2%
- Work, children, household tasks: 37.7%
- Lack of time (due to lack of knowledge or experience with finances): 41%

Source: ProLiteracy Study 2013.
BNY Mellon Retirement believes that there are four fundamental, interconnected financial behaviors that determine an individual’s ability to achieve their targeted retirement outcomes: earning, spending, investing and insuring.

Weighing and adjusting these four behaviors appropriately throughout the changing course of an investor’s life is the foundation of the BNY Mellon Retirement approach.
How should women approach investing?

INCORPORATING THE LATEST STRATEGIES INTO PORTFOLIOS

Women have a range of risk tolerances, goals, investment behaviors and financial views, so it is important to tailor your conversations and portfolios accordingly.

By recognizing the different priorities and approaches of all your clients, you are better positioned to deliver the financial guidance they seek.

Based on life expectancy, there are certain behaviors you may want to encourage among your female investors to help better target their outcomes.

1. HOLD A LONG-TERM VIEW.
   Female investors may want to focus more on long-term financial goals since women, on average, have a longer life expectancy.

2. CONSIDER TAKING MORE RISK.
   Given their life span, female investors may need to take on more risk exposure to meet the costs of an extended retirement and to achieve their outcomes.

3. PRIORITIZE GOALS.
   Ranking the importance of goals is key for all investors. Generally speaking, women emphasize achieving a comfortable retirement, maintaining their lifestyle, not outliving their savings and providing for others in their family.

4. INVEST WITH PURPOSE.
   To help motivate savings, encourage purpose-driven investing. Female investors tend to invest for a specific goal, such as saving for a child’s college education, while men are more likely to invest with a general target in mind, such as trying to achieve a certain return on investment.
Goals-based investing is an approach advocated by BNY Mellon Retirement for all investors – women and men alike.

Rather than creating one general portfolio, we recommend structuring investments and savings into pools or subaccounts for specific purposes, where your client saves and invests to achieve a particular goal. Goals-based investing aligns strategies with the way many female investors think. It helps keep investors on track and can motivate investors more than contributing toward one overall portfolio does.

Charts are for illustrative purposes only.
How can you build trust with female investors?

COMMUNICATING IN THE MOST EFFECTIVE WAY

Surveys confirm that female investors want clear advice with less financial jargon,¹ and to a greater extent than men, are seeking advisors that “understand my goals,” “listen to my needs” and “patiently answer my questions.”²

Successful financial advisors understand the importance of communicating with female investors in a way that resonates, while delivering on all promises in a prompt, professional way.

¹Prudential 2014-2015 research survey. ²Pershing study, Women: Investing with a Purpose.
Incorporate the 13 Behaviors of Trust into your daily practice.

Stephen Covey, author of the seminal book *The 7 Habits of Highly Effective People*, writes that building trust requires a person to exhibit character and competence. Covey outlines the 13 behaviors that help create and maintain trusted relationships, and we have applied them to the female investor/advisor relationship.

1. **LISTEN FIRST**
   Ask your client about her personal and financial concerns, and then listen. Discover her level of knowledge and experience when it comes to investing.

2. **TALK STRAIGHT**
   If your client asks you a “yes” or “no” question, respond in kind. If it’s not a yes or no question, be sure to answer what you’ve been asked before providing additional information.

3. **KEEP COMMITMENTS**
   Follow-up is so important. Respond to your client in a timely fashion to help keep her on track to achieving her goals.

4. **CREATE TRANSPARENCY**
   Let your client know up front if you cannot help with an issue or if you have a conflict. Explain the process you use and why.

5. **SHOW LOYALTY**
   Her spouse may have been your client first, but treat your female client and her concerns with equal diligence. Remember to demonstrate how the plan impacts her and her children, especially in the event her spouse predeceases her.

6. **CLARIFY EXPECTATIONS**
   Confirm that you understand her concerns, goals and follow-up steps so that she feels confident about what happens next.

7. **CONFRONT REALITY**
   If she cannot financially meet all her goals now, be honest. Help her understand the tradeoffs and dangers. Let her know what she needs to do to be successful.

8. **DELIVER RESULTS**
   Create a plan for her; help her achieve her goals; send her the information promised; and deliver what was agreed upon.

9. **DEMONSTRATE RESPECT**
   This may seem fairly obvious, but realize that your client may have a concern that seems fairly basic, but to her it may be a roadblock to further listening and understanding. Actively listening and maintaining eye contact goes a long way to making a client feel heard and understood.

10. **PRACTICE ACCOUNTABILITY**
    Take responsibility if you make a mistake or misunderstand issues.

11. **RIGHT WRONGS**
    If errors are made, set deadlines for correction and let your client know when they are amended.

12. **GET BETTER**
    Whether it is expanding your soft skills or attending an educational conference, continue improving your knowledge set and share pertinent information you recently gained. Women appreciate learning. This can be a great way to start a dialogue with your female clients.

13. **EXTEND TRUST**
    Ask current clients to speak with prospects and share their good experiences with you.
An easy way to engage: Host a Signature Event.

The Signature Event Series offers you all of the tools and resources you need to host informal, relaxed learning sessions that you create for clients and prospects. These meetings typically include a brief educational presentation (15-20 minutes) delivered by you or a guest speaker, followed by a lively discussion among your participants on the financial topic at hand. You will find these to be great learning opportunities for both you and the small group you invite as well as a prospecting opportunity for you.

Groups of six to twelve are optimal. When hosting your signature event, be sure to schedule it well in advance and pick a time that makes sense for the women you are inviting. For better group dynamics, consider segmenting your groups by life stage, marital status or the participants’ level of financial knowledge. For best results, keep your event focused on one financial topic. And to ensure best attendance, invite your clients personally, and consider asking them to bring a friend.

BNY MELLON PROVIDES YOU WITH ALL THE TOOLS AND MATERIALS YOU NEED TO HOST AN EVENT. LAUNCHING FALL 2016.

Potential Topics

- Social Security claiming strategies: Choosing the best timing
- Why consider longevity insurance?
- The planning benefits of long-term care insurance
- The pros and cons of survivor payments
- The role of disability insurance
- Caregiver caucus: Involving the family

BENEFITS FOR WOMEN
- Learning in a non-threatening environment
- Sharing challenges with the group, and feeling comfortable asking questions among other women
- Building investing confidence

BENEFITS FOR ADVISORS
- Educating your clients on important topics
- Learning things about your clients that they may never say directly to you
- Building trust and confidence in you
- Prospecting new clients
Five easy tips for connecting with your clients.

COMMUNICATIONS TIP: INSTEAD OF SAYING: CONNECT BY SAYING:

1. **ASK QUESTIONS.** Listen closely.
   - “Let me tell you about our firm…”
   - “TELL ME ABOUT YOUR LIFE and what’s important to you. What do you want to achieve with your money?”
   - “I KNOW YOU HAVE CONCERNS about retiring comfortably. You also want to take care of your aging parents. Let’s start there…”

2. **TALK ABOUT GOALS FIRST,** not products.
   - “I’ve looked at your financial situation and determined you will need $1.2 million to retire, and a long-term care policy…”
   - “YOU KNOW, IT’S DIFFICULT for many women to even think about what it will mean to become a widow…”
   - “IF I’M UNDERSTANDING YOU CORRECTLY what you’re saying is…”

3. **UNCOVER HIDDEN CONCERNS** she might be reluctant to vocalize.
   - “Is there anything else you’d like to cover today?”
   - “IF I’M UNDERSTANDING YOU CORRECTLY what you’re saying is…”
   - “KIM, DOES THIS COVER all your questions and concerns?”

4. **PAY ATTENTION TO NONVERBAL CUES,** such as lack of eye contact or not actively agreeing with you.
   - “So we’re in agreement?”
   - “I KNOW YOU HAVE CONCERNS about retiring comfortably. You also want to take care of your aging parents. Let’s start there…”
   - “IF I’M UNDERSTANDING YOU CORRECTLY what you’re saying is…”

5. When meeting with a couple, **CONNECT WITH BOTH PARTNERS.** Don’t allow one spouse to do all the talking.
   - “Thanks, Alex. You’ve laid out your family’s goals pretty well. I’ll get to work on a plan that…”
   - “I KNOW YOU HAVE CONCERNS about retiring comfortably. You also want to take care of your aging parents. Let’s start there…”
   - “IF I’M UNDERSTANDING YOU CORRECTLY what you’re saying is…”
Advisors who help empower women to take control of their financial lives will find great opportunity.

To learn more about the Knowing Women program — and how you can build stronger, more trusted relationships with your female clients — contact your BNY Mellon Retirement representative.

Past performance is no guarantee of future results. Asset allocation and diversification do not guarantee a profit or protect against a loss.

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