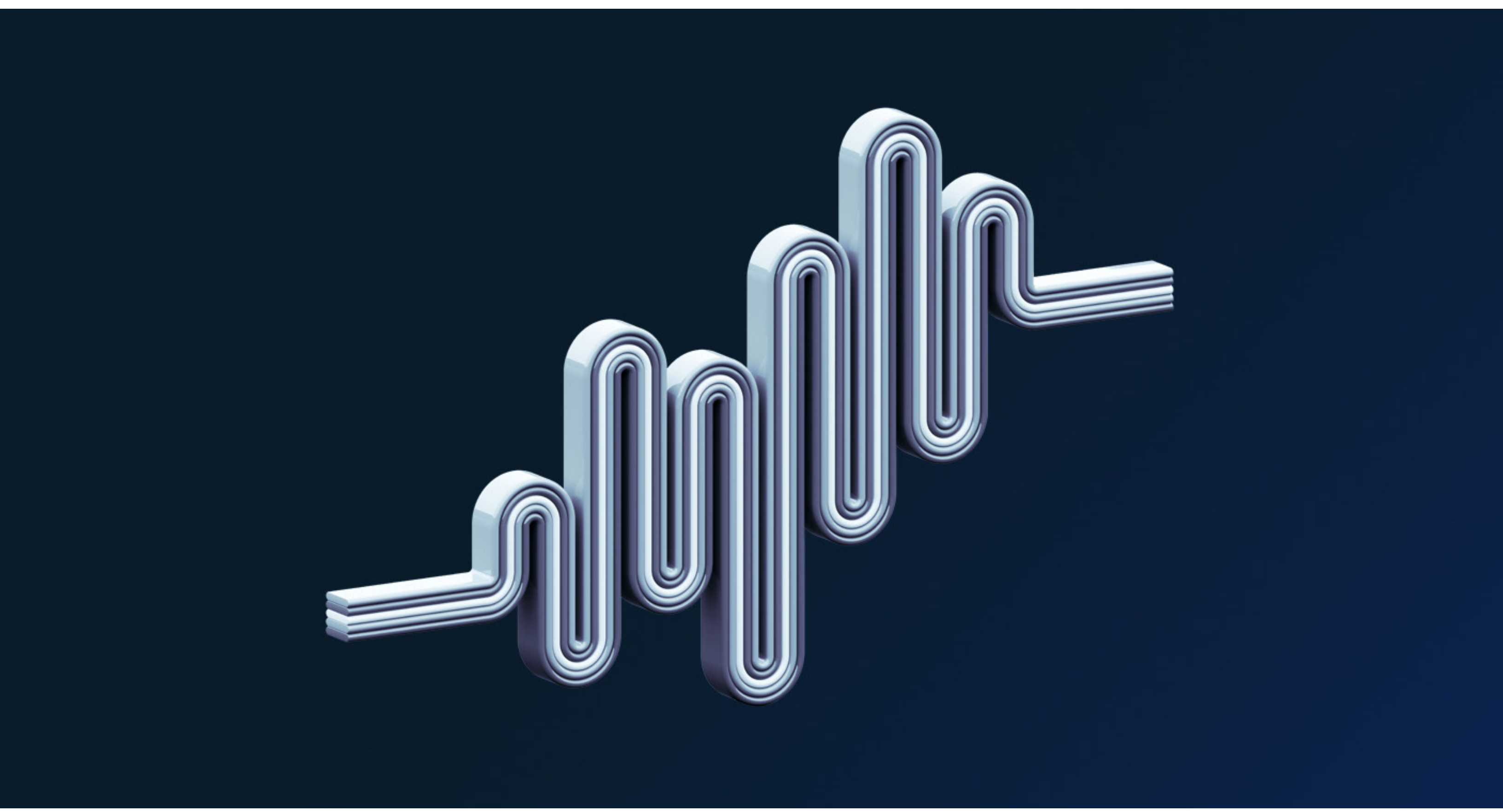
McKinsey & Company

Financial Services Practice

Women as the next wave of growth in US wealth management

An unprecedented amount of assets will shift into the hands of US women over the next three to five years, representing a $30 trillion opportunity by the end of the decade.

by Pooneh Baghai, Olivia Howard, Lakshmi Prakash, and Jill Zucker



July 2020

Attracting and retaining female customers will be a critical growth imperative for wealth management firms. To succeed, firms will need to deeply understand women's differentiated needs, preferences, and behaviors when it comes to managing their money. Firms can then diversify their offerings and commit to a systematic approach to winning with women.

As part of recent McKinsey research on affluent consumers, we surveyed over 10,000 affluent investors, nearly 3,000 of them female financial decision makers. We also leveraged analysis from McKinsey's proprietary PriceMetrix solution. The resulting insights, highlighted in this article, provide a rich view into affluent women as investors.

For decades, wealth management has been a male-dominated endeavor. Not only are the vast majority of financial advisers men (female representation is just 15 percent across channels), but also the customers making financial decisions are far more likely to be men than women. In two-thirds of affluent households in the United States, men are the key financial decision makers.[1] But this is about to change.

Women as the new face of wealth

Today, women control a third of total US household financial assets—more than $10 trillion (Exhibit 1). But over the next decade, large sums of money are expected to change hands. The biggest driver of this shift is demographics. Today, roughly 70 percent of US affluent-household investable assets are controlled by baby boomers.[2] Furthermore, two-thirds of baby-boomer assets are currently held by joint households (where a female is present but not actively involved in financial decisions), meaning that roughly $11 trillion in assets are likely to be put into play. As men pass, many will cede control of these assets to their female spouses, who tend to be both younger and longer lived. In the United States, women outlive men by an average of five years, and heterosexual women marry partners roughly two years older than they (Exhibit 2). By 2030, American women are expected to control much of the $30 trillion in financial assets that baby boomers will possess—a potential wealth transfer of such magnitude that it approaches the annual GDP of the United States.[3] After years of playing second fiddle to men, women are poised to take center stage.

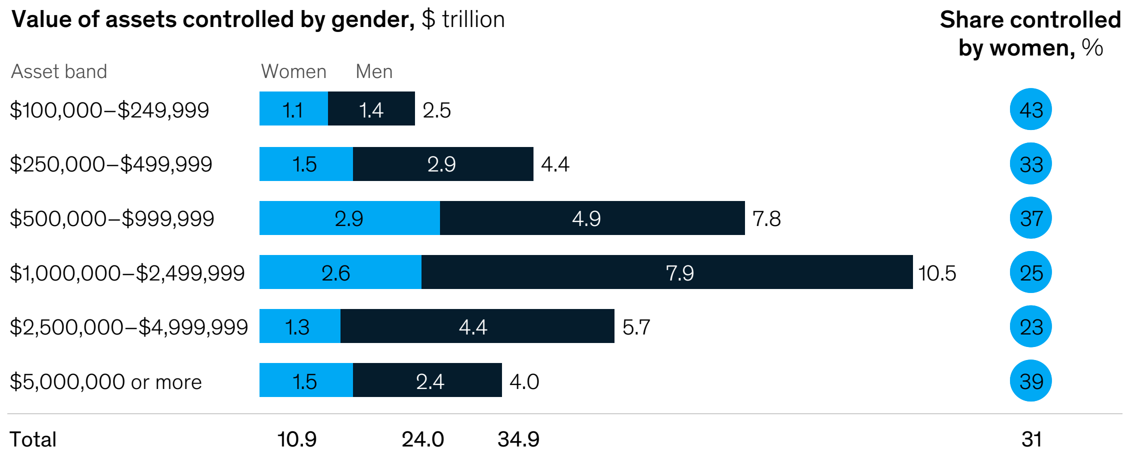
Along with these demographic changes among older women, younger affluent women are getting more financially savvy. Compared with five years ago, 30 percent more married women are making financial and investment decisions, according to recent McKinsey research on affluent consumers. And more women than ever are the family breadwinner, spurring growth in their investable assets. Indeed, McKinsey's 2019 Women in the Workplace survey indicates that there has been a significant increase in the share of women in corporate America—and in the upper echelons of management. For example, 44 percent of companies have three or more women in their C-suite, up from 29 percent of companies in 2015.[4]

All these changes represent a critical inflection point for the financial-services industry. When affluent women take over financial decision making for a household, they typically seek out new wealth-management relationships to better suit their needs. Women are more likely than men to feel they have a critical gap in meeting their key financial goals. This is especially true for widows: 70 percent of women switch their wealth relationship to a new financial institution within a year of their spouse's death.[5]

1 McKinsey affluent consumer research survey, conducted in conjunction with Dynata, 2018; n = 9,434 individuals aged 25 to 75 with investable assets between $100,000 and $5 million, including 2,000 respondents between $1 million and $5 million. Total respondents included 2,889 women and 6,545 men. Key financial decision makers are those who indicated making all or most investment and financial decisions or indicated high levels of familiarity when decision making is shared equally in relationship.
2 Federal Survey of Consumer Finances; respondents reported at least $100,000 in wealth and were 25 to 75 years old.
3 McKinsey PriceMetrix, 2019. PriceMetrix is an integrated data and business intelligence platform for the wealth management industry. This analysis includes US industry surveyed households with $100,000 to $10 million in personal investable assets.
4 Jess Huang, Alexis Krivkovich, Irina Starikova, Lareina Yee, and Delia Zanoschi, "Women in the Workplace 2019," October 15, 2019, McKinsey.com.
5 Blair Duquesnay, "Women shall inherit the power of the purse," *Financial Advisor*, April 11, 2019, fa-mag.com.

Exhibit 1

Today, women in the United States control $10.9 trillion in assets.



Note: Figures may not sum, because of rounding.
Source: Federal Survey of Consumer Finances: $100,000+ in wealth and 25–75 years old; McKinsey analysis: n = 9,434 ($100,000+ in investable assets and age 25–75); women n = 2,889, men n = 6,545

Exhibit 2

Women in the United States are well positioned to capture a significant share of money in motion.

5 years

Additional years of life expectancy for women in the United States compared with men

30%

Increase over the past 5 years in married women making financial household decisions

70%

Share of women who change advisors within 1 year of their partner dying

Source: McKinsey analysis: n = 9,434 ($100,000+ in investable assets and age 25–75); women n = 2,889, men n = 6,545

The COVID-19 crisis will likely accelerate the amount of "money in motion." First, as clients reevaluate their financial circumstances, we expect firms to see higher churn. During previous economic recessions, there have been upticks in transfers of assets, with clients seeking advisers who can better help them navigate the new normal. Second, the COVID-19-driven economic uncertainty is fueling an increased demand for advisers among people who don't have one currently. In recent surveys taken during the global pandemic, 30 percent of consumers without financial advisers said they planned to actively seek one in the next year.[6]

Over the next three to five years, as women increasingly take responsibility for making their households' financial decisions, they will become the critical battleground for wealth-management firms. Many leading companies have already articulated their commitment to meeting women's

[6] McKinsey consumer sentiment surveys.

Analysis by McKinsey's PriceMetrix indicates that simply by retaining baby-boomer women as clients, firms could see one-third higher revenue potential.

needs. They have experimented with new product offerings, hired more female advisers, and launched financial-literacy and community-outreach events that reiterate the importance of serving women as clients. And there certainly has been no shortage of marketing campaigns that feature women setting up retirement plans, purchasing insurance, or buying houses.

However, such measures are no longer enough. As wealth begins to pour into the hands of women, firms will need to commit to a much more systematic approach—transforming their business and client-service models in ways that will acquire, retain, and serve women as long-term investors. Other previously male-focused industries, such as automobiles and real estate, have revamped their product and service models to meet women's needs. For instance, the real estate industry, recognizing that there are more single female buyers than male buyers, moved from a focus on married couples to creating powerful value propositions for single women looking to become home owners. Now the time has come for wealth-management firms to refresh their offerings. Firms that wait too long risk losing out on the next leg of growth.

The prize is substantial. Analysis by McKinsey's PriceMetrix indicates that simply by retaining baby-boomer women (the segment we see being most at risk of churning) as clients, firms could see one-third higher revenue potential. In addition, firms that acquire and retain younger women—especially millennials—as clients could see up to four times faster revenue growth. Indeed, a PriceMetrix analysis of advisers who are winning with this small but influential segment of younger women (today representing just 15 percent of affluent households' investable assets) reveals annual revenue growth of 5 percent, outperforming the industry average of 1 percent. Interestingly, these advisers tend to be less tenured.

To rise to the challenge, wealth-management firms must deeply understand women's differentiated needs, preferences, and behaviors when it comes to managing their finances. Based on McKinsey research conducted in partnership with Dynata, we surveyed over 10,000 affluent investors, nearly 3,000 of them female financial decision makers; here we offer a dynamic view into affluent women as investors.

How women manage their money differently than men do

Affluent women approach wealth management somewhat differently than their male counterparts. As a group, they are more likely to seek professional advice and less likely to feel confident about their own skill at financial decision making. Female decision makers tend to be less risk tolerant and more focused on life goals. In seeking an adviser, they tend to place more emphasis on a personal fit and are more likely than males to identify a life event as their motivation to seek guidance.

Greater demand for advice

Compared with males, affluent female financial decision makers are likelier to have an adviser. They are also more willing to pay a premium for in-person financial advice. In fact, according to our research, older affluent women are twice as likely as older affluent men to favor paying a 1 percent or higher fee for an account managed by a financial adviser, versus paying ten basis points for a digital-only service.

Lower financial self-confidence

In our survey, many women self-report lower confidence in their own financial decision making and investment acumen. Only a quarter of affluent women say they are comfortable making investment and savings-related decisions on their own—15 percentage points lower than their male counterparts.

While socially ingrained gender roles and other factors undoubtedly play a role in these self-reported measures, the gap between female and male self-confidence highlights the need for advisers to do a better job of helping women meet their goals and build trust in their own financial literacy. Indeed, roughly half of all female financial decision makers say they feel unprepared for their financial goals despite having a financial adviser.

Less risk tolerance

Women are nearly ten percentage points less likely than men to say they would take big investment risks for the potential of higher returns. According to recent McKinsey research on affluent consumers, they tend to prioritize capital protection over alpha generation and are more likely to manage their money through passive instead of active investment strategies—favoring lower-cost exchange-traded funds over mutual funds, for example.

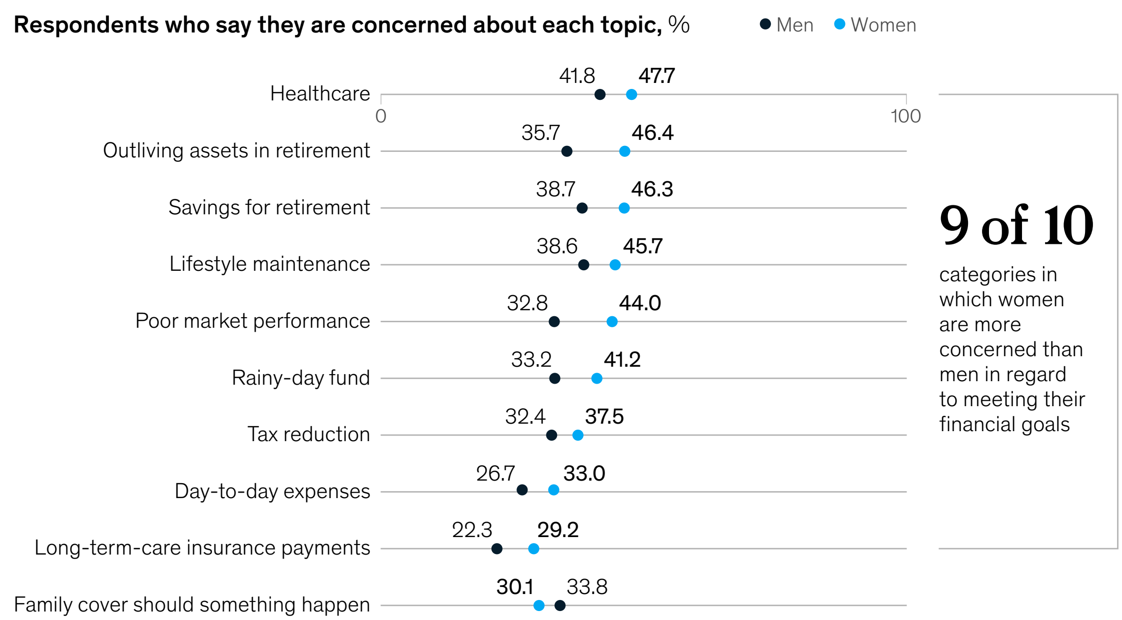
Greater focus on real-life goals

Although many women would be happy to outperform the stock market, it's not the primary goal for most (Exhibit 3). Instead, retirement is a big theme. Women are roughly ten percentage points more likely than their male counterparts to say they are concerned about outliving their

Exhibit 3

Women in the United States tend to be more concerned than men about meeting their financial goals.

Respondents who say they are concerned about each topic, %



Note: Charts show share of survey respondents that "strongly agreed" or "agreed" with each statement.
Source: Federal Survey of Consumer Finances: $100,000+ in wealth and 25–75 years old; McKinsey analysis: n = 9,434 ($100,000+ in investable assets and age 25–75); women n = 2,889, men n = 6,545

assets in retirement and having enough savings for retirement. Health also is top of mind: women are more likely than men to worry about the cost of health care, paying for long-term care insurance, and being a burden on others later in life. In addition to these long-term goals, our research shows that women also want more help with cash management and other day-to-day finance needs.

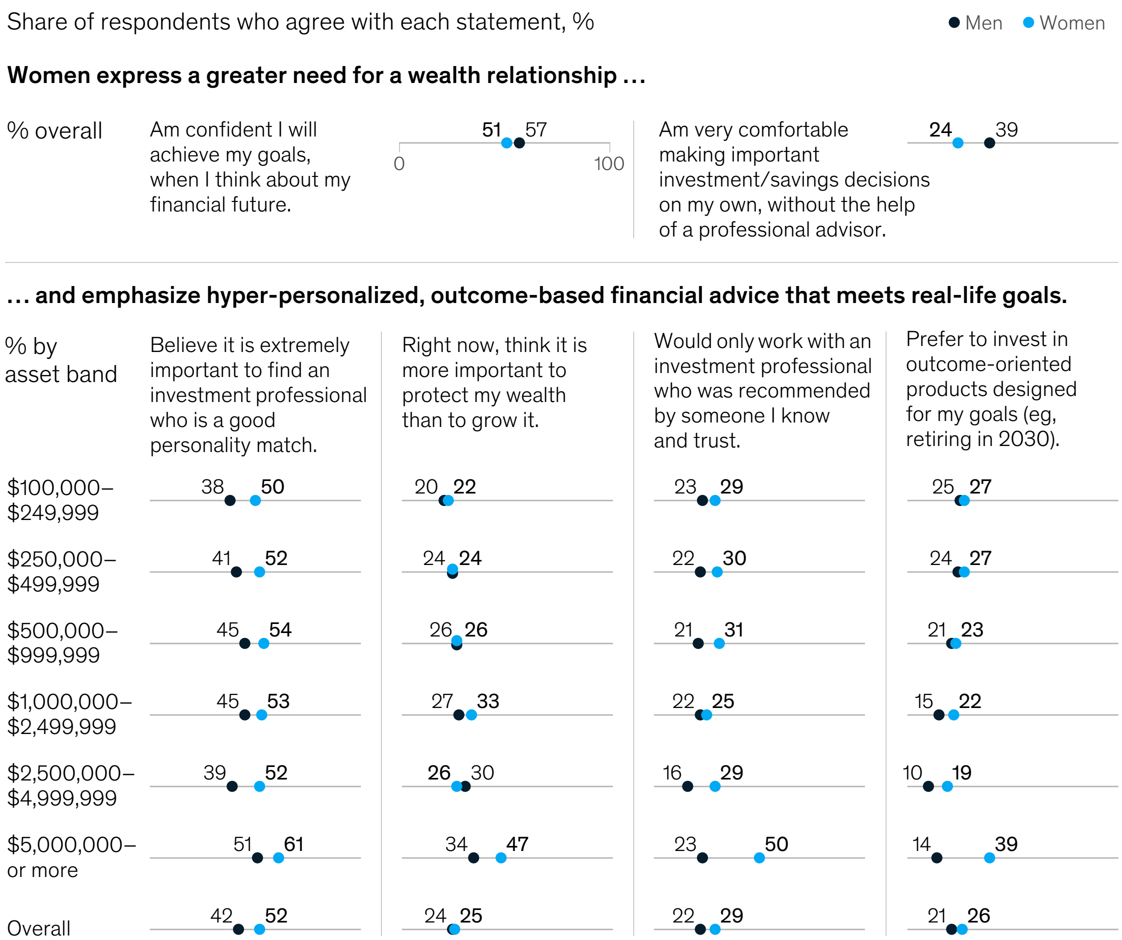
Desire for a personal fit with an investment adviser

While most women do not explicitly look for female advisers, many place a high value on establishing a personal connection with their adviser. Roughly a third of affluent women say they would only work with an investment professional they trust, roughly ten percentage points more than men. Over half say the same about a good personality fit (Exhibit 4).

If women don't feel they have this kinship, they are more likely than men to switch advisers, according to McKinsey research. An older male client, for instance, told us he was moving to a new financial institution after years with the same adviser because he wanted his wife to find someone she trusted before he passed away. One adviser built a

Exhibit 4

Women in the United States—more so than men—seek hyper-personalized, outcome-based financial advice that meets their real-life goals.



Note: Charts show share of survey respondents that "strongly agreed" or "agreed" with each statement.
Source: Federal Survey of Consumer Finances: $100,000+ in wealth and 25–75 years old; McKinsey analysis: n = 9,434 ($100,000+ in investable assets and age 25–75); women n = 2,889, men n = 6,545

fast-growing book of business by providing financial advice to women she had a connection with—other moms at the school her child attended.

Pivotal life moments as a driver

Consumers are more likely to seek a wealth relationship after a major life experience, such as a marriage, promotion, divorce, or the loss of a loved one. For women, divorce is a particular differentiator. Women often experience greater financial impacts from divorce or separation than men and are twice as likely as men to cite divorce as the reason for opening a new investment account. The dissolution of a marriage is an even more powerful driver of switching financial advisers than the loss of a loved one.

To address the unique needs of divorcées, some firms and advisers have built successful specialty service offerings. One registered investment adviser (RIA) that McKinsey interviewed saw double-digit growth in assets under management over a year by creating a compelling value proposition for women undergoing divorce. To help women navigate their settlements and chart a course of financial independence, the firm paired its financial planners with a suite of experts, including certified divorce financial planners, divorce attorneys, therapists, and real estate brokers.

The playbook for capturing the industry's new growth customer

Despite efforts to engage female customers, most wealth managers are still not fully meeting women's needs. Many married women, for instance, told us they often feel shut out of household wealth discussions; they said adviser teams reached out to them infrequently or only on matters of day-to-day cash management, rather than bigger investment decisions. We've also heard through our field interviews with RIAs that many of their new female clients came to them from other firms, where they didn't feel they could ask basic financial-literacy questions or spend enough time with advisers to find the right financial plan to meet their goals.

Such gaps have created a flurry of new firms catering to women. Many of these have experienced rapid growth, though none have yet achieved significant scale. Nor have any incumbents quite cracked the code. Surprisingly, there is little difference in the rate at which established firms are serving women. When it comes to millennial women as a percent of total client base, for example, most firms cluster around an average high watermark in the low teens, according to PriceMetrix; a similar pattern exists for other female segments.

As unprecedented sums of assets shift into the hands of women over the next decade, wealth-management firms have a choice. If they want to attract and retain female customers and capture some of the trillions up for grabs, they will have to diversify their offerings and commit to a much more systematic approach (see sidebar, "Questions for management teams"). This will include making changes across multiple areas—go-to-market, people and practice management, value propositions, and technology—and supporting

To attract and retain female customers and capture some of the trillions up for grabs, wealth-management firms must diversify their offerings and commit to a more systematic approach.

Questions for management teams

— Where are we in the journey to win with women? If we are honest with ourselves, have we had the impact we aspired to?

— Do we have a go-forward playbook we are methodically executing, module by module? Are we tracking our results in a systematic way across the measures that matter?

— Have we piloted new compensation and incentive structures to attract and retain more diverse field talent? How are we seeking to build capabilities among advisers and the rest of the firm?

— Have we piloted new service and product offerings and corresponding pricing models for segment-specific client acquisition (eg, "white glove" subscription models for high-net-worth women)?

— Do we have a segmented view of our client base by gender and household composition, with a dedicated strategy to win with each segment (eg, joint baby-boomer households, millennial women)?

— When we lose an account or see a large transfer of assets following a key life event (eg, loss of a loved one, divorce), do we systematically capture the feedback to inform our go-forward strategy?

new initiatives with change-management levers like incentives. Additionally, because there is no silver-bullet solution, a commitment to testing and learning will be critical. For example, pilots for new pricing models, adviser incentives and teaming models, client perks and benefits, and segment-specific value propositions will allow firms to identify successful strategies.

Yet the winning playbook is more than a few pilots. It is a multiyear approach incorporating a dozen distinct modules that firms can roll out over three sequential phases (Exhibit 5):

1. Adapt to better meet the needs of current female clients, with a sharpened value proposition across distinct segments.
2. Evolve client service and business models to put women's needs front and center, with aligned pricing and compensation models.
3. Leap to transform the value proposition and fundamentally rethink how the firm creates value for the women they serve, while extending the footprint into white spaces via new business builds and digital extensions.

Getting this playbook right and creating a winning value proposition for women will be mission-critical for firms to see the next leg of growth over the next five years and beyond. Further, wealth managers that succeed in acquiring and retaining women will also have a replicable road map for connecting with other growing customer segments, such as millennials and Gen Xers.

Exhibit 5

Winning with women will take a multiyear approach across three sequential phases.

	1: Adapt	2: Evolve	3: Leap
	Better meet the needs of women you serve today with a sharpened value proposition	**Tailor client service and business model to put women's needs front and center, expanding your reach**	**Transform value proposition, fundamentally rethinking which women you serve and how you create value for them—extending your footprint**
Go-to-market	Segment existing client base to prioritize women with differentiated needs and growth potential (eg, divorcees, widows, executives, single mothers)	Bring on team of experts to support advisors in offering segment-specific advice—eg, divorce attorneys and certified divorce financial planners for divorcees; other benefits/perks	Identify underserved "white space" segments of women and design new business to capture them—eg, build digital-attacker business for millennial women, or buy/partner to do so
People/ practice management	Identify "change champion" advisors who have won with female investors. Set up branch townhalls so these advisors can educate peers about women and their needs	Pilot new incentives to diversify field—eg, bonuses for advisors ceding AUM[1] to female advisors in succession planning, "return to work" for working mothers, sponsored CFA[2] certification courses	Roll out new compensation structures and formalize suite of field-diversification levers, including female advisor-led recruiting, "challenger" competitions for advisors with female hires, discretionary retention bonuses for tenured females
Value proposition	Pilot new product/service offerings and pricing models—eg, advisory fees for personalized, higher-touch "subscription service" models	Pilot new client-service models—eg, "full household" financial planning (dual-spouse goal-setting); add-on service offerings with networking and educational events; passive-only investment vehicles	Craft new value proposition (brand, service model, advice, benefits/perks) and monetization model for business—eg, tiered "subscription model" offerings for women, women-only events
Technology	Roll out change-management levers to boost adoption of current digital and advanced-analytics tools to enrich client experience for women—eg, DTC[3] email marketing, outcome-based financial plans, text alerts on major life events, real-time trade receipts for fee transparency	Develop digital and advanced-analytics tools to enable financial advisors to grow female business—eg, asset-aggregation tools, smart CRMs[4] to enable acquisition of women likely to leave existing wealth relationships after lifetime events (eg, loss of loved one, promotion, marriage), "refer a friend" marketing	Build new, innovative digital business to support longer-term growth—eg, data and advanced-analytics-enabled delivery of hyper-personalized, on-demand "Netflix-like" advice to meet women's needs; next-gen hybrid robo-advice models, with simulated in-person sessions

[1]Assets under management.
[2]Chartered financial analyst.
[3]Direct to consumer.
[4]Customer relationship management.

Pooneh Baghai is a senior partner in McKinsey's Toronto office, and **Olivia Howard** and **Lakshmi Prakash** are consultants in the New York office, where **Jill Zucker** is a senior partner.

The authors would like to thank Rozalie Czesana, Owen Jones, Patrick Kennedy, Ayush Madan, Agostina Salvo, and John Vervoort for their contributions to this article.

Designed by Global Editorial Services