

Financial Services Practice

Wake up and see the women: Wealth management's underserved segment

As more assets in Western Europe shift into the hands of women, wealth managers need to understand the investment needs and behaviors of this large—but as yet underserved—group of investors.

This article is a collaborative effort by Cristina Catania, Constance Emmanuelli, Martin Huber, Nicolò Pittiglio, and Rosario Sorrentino, representing views from McKinsey's Financial Services Practice.



In Western Europe, women investors now control roughly a third of total assets under management (AUM), valued at some €4.6 trillion (Exhibit 1).¹ We expect this share to grow rapidly over the next few years, partly because of the rising number of married women taking responsibility for household financial decisions. Women's assets are projected to grow at roughly 8.1 percent CAGR to 2030, according to our analysis, while men's assets grow much more slowly, at roughly 2.7 percent.² By 2030, women's share of investments is expected to reach 45 percent of AUM and a total of €10 trillion.

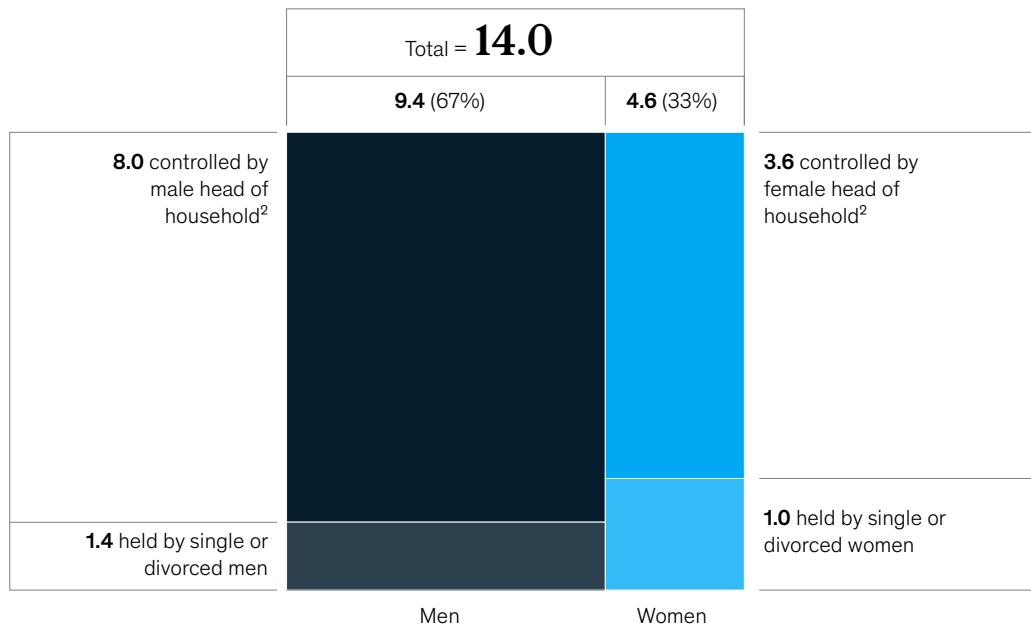
Recognizing this shift, some leading institutions are setting up dedicated units to serve women investors, though many others have yet to act.

To understand customer preferences on advisory and investment products, including gender differences in investment needs and behaviors, McKinsey in 2021 embarked on research into investment and gender, surveying almost 3,000 women and 2,000 men in the affluent, private banking, and high-net-worth investment markets in Western Europe (see sidebar "About the research"). Besides

Exhibit 1

Among individual investors, women hold roughly a third of assets under management in Western Europe.

Assets under management (AUM),¹ 2020, € trillion



¹Onshore liquid personal financial assets (PFA) for households having PFA > €100,000.

²Based on survey data in which married or partnered respondents were asked to identify which spouse or partner is the household's financial decision maker. Source: McKinsey Global Wealth Pools; McKinsey Gender Insights in the Investment Space survey, June 2021; McKinsey analysis

¹ Based on survey data in which married or partnered respondents were asked to identify which spouse or partner is the household's financial decision maker. Other "women investors" are single or divorced. McKinsey Gender Insights in the Investment Space survey, June 2021.

² McKinsey analysis using data from Eurostat. By "women's assets," we mean all the assets owned and managed by single and divorced women and by married or partnered women identified as the household's financial decision maker.

identifying how women's investment needs differ from men's, the research explored how investment institutions could improve their offerings for the large but underserved group of female financial decision makers. Our research findings provide a rich perspective on women as investors, as well as insights for firms wishing to cater to their needs.

An underserved group of investors

Data from the women responding to our survey portray this market segment as significantly large but perhaps taken for granted by financial institutions. Of the €4.6 trillion in AUM held by women, €3.6 trillion—78 percent—is held by women who are married or in partnerships and are the main financial decision maker in their household. Single and divorced women hold the remaining 22 percent of AUM.

About the research

McKinsey conducted an online survey of some 5,000 investors in three wealth categories: affluent (those with personal financial assets worth between €50,000 and €500,000), private (assets of €500,000 to €2 million), and high net worth (assets over €2 million).

The sample comprised women and men in eight Western European countries: France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, and the United Kingdom. The proportion of women investors included in the sample varied between countries, from 36 to 60 percent. Respondent data were weighted to adjust sample characteristics to actual populations in terms of age and online-banking penetration.

The differences in household composition affect banking relationships. Among women in relationships, just over half say they share the same primary bank as their partner (54 percent, compared with 57 percent of men). Similarly, 61 percent of women (and 64 percent of men) say they share the same primary financial adviser as their partner. But when asked whether they would change their bank or adviser if they were separated from their partner, 40 percent of women said yes, compared with 29 percent of men. The message for financial institutions is that a sizable portion of women's assets under management could be at risk in the event of relationship breakdown or bereavement unless financial institutions and advisers take steps to improve their offerings for women.

Another significant pattern for those offering financial services is the "investment gap" the survey results showed between men and women investors. Women's average earnings and amounts invested are less than men's, and male and female investors approach portfolio allocation differently: women's average portfolios are 32 percent equities and 32 percent fixed-income investments, compared with 45 and 24 percent, respectively, for men. We estimate that these differences lead to an average portfolio return of 5 percent for women, compared with 6 percent for men.³ According to our calculations, this translates into a gap of €5,000 to €10,000 between men's and women's annual investment returns. To help close this gap, banks and wealth managers could provide tailored advisory and other services to give women more opportunities to weigh up the risks and returns of different investment strategies and different mixes of asset classes in their portfolio allocation.

Differences in investment behavior

Differentiating services requires knowledge of differences in attitudes and behaviors, as well as needs. While there is also variation within groups, our research uncovered differences between women and men on average in their attitude to

³ Analysis based on data from Eurostat, McKinsey Global Wealth Pools 2020, and McKinsey Panorama.

Financial service providers could benefit from preparing to encounter more of the attitudes and behaviors typified by female investors, a large yet underserved group of financial decision makers.

financial advice, approach to investment, decision-making style, and risk profile. Without resorting to stereotypes when serving individuals, financial service providers could benefit from preparing to encounter more of the attitudes and behaviors typified by our female respondents. As women become a larger share of the investing community, these consumer patterns may play a more important role in decisions about financial assets.

Financial advice. A substantial proportion of the women investors in our survey expressed a willingness to receive more advice from their financial institutions, especially through digital channels such as web-based advisory and analytical software and mobile apps. In addition, 28 percent of women said they would be happy to receive more advice over the phone from experts, compared with 22 percent for men. Likewise, 25 percent of women said they would be happy to receive more advice over the phone from dedicated advisers, compared with 21 percent for men.

Unfortunately, dissatisfaction was common for both men and women. Forty-three percent of women said they were not fully satisfied with the quality of financial advice they received, as did an even higher proportion of men (49 percent).

Investment proactivity. Few investors reported being uncomfortable when making financial decisions in their portfolio, but women were twice as likely as men to say so (18 percent versus 9 percent). Women were less likely to modify their investment portfolio more than once a month (36 percent did so, compared with 45 percent of men)—but more likely to make changes if their adviser proposed a new investment (32 percent did so, compared with 24 percent of men). Additionally, more men than women held a high proportion of their portfolio in managed assets such as mutual funds, mandates, insurance, and securities.

Decision-making behavior. The survey exposed a considerable difference between men and women investors in their approach to decision making. Among women, 58 percent described themselves as making all or most of the investment decisions in their household, compared with 73 percent of men. A third of women said they shared these decisions equally with someone else in their household, compared with a quarter of men.

Risk profile. When asked about their attitude toward riskiness in investment, a larger share of women than of men (42 percent versus 34 percent) reported taking a risk-averse approach to asset allocation

(Exhibit 2). Women’s reported share of fixed-income investments is eight percentage points higher than men’s, while their share of equities is 13 percentage points lower.

preferences could help close the gap between the 49 percent of women who feel totally or somewhat comfortable making financial decisions and the 59 percent of men with this sentiment.

These gender differences in investment preferences and behavior suggest that wealth managers and banks have a considerable opportunity to offer women tailored support to balance risk and reward in their portfolio and to monitor and optimize their investments over time. Financial institutions could also be more mindful of involving women in household decision-making processes to support the sharing of investment decisions between partners. In addition, offering financial education programs geared to women’s needs and

Addressing challenges with a differentiated approach

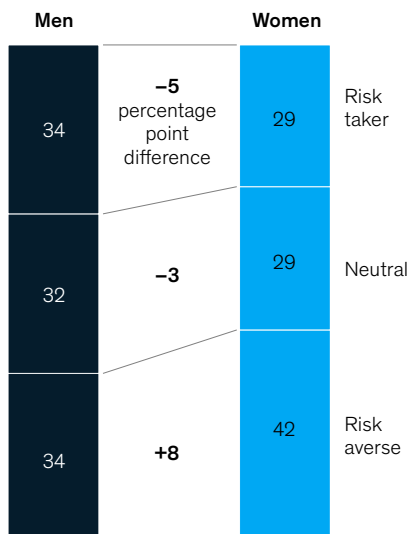
To attract and retain women investors, wealth management firms need to provide a tailored advisory service, financial education, and personalized products and services that respond to women’s needs. A good way to begin is to take stock of the organization’s existing offer (see sidebar “Questions for institutions to consider”).

Exhibit 2

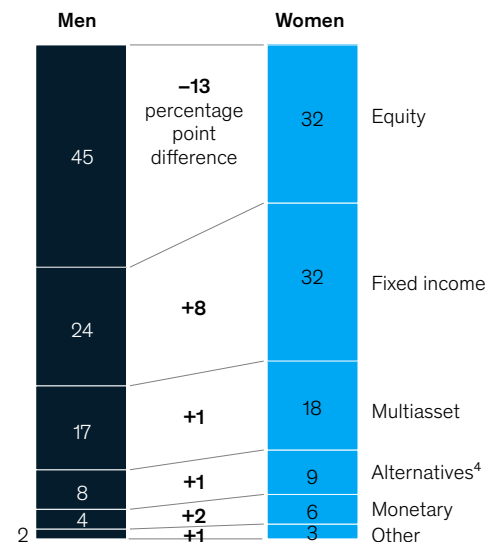
As investors, women tend to be more risk averse than men, less inclined to buy equity, and likelier to buy fixed-income assets.

Attitudes of Western European investors,¹ by gender

Risk attitude in considering investments,²
% of respondents



Usual managed investment products purchased,³
% of respondents



¹Affluent, private, and high-net-worth investors in eight Western European countries (France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland, and the UK); n = 5,000, including 2,300 women and 2,700 men.

²Question: What is your attitude toward riskiness in investments?

³Question: What kind of managed investment products are you usually willing to buy?

⁴Alternatives include real estate, hedge funds, private equity.

Source: McKinsey Global Wealth Pools; McKinsey Gender Insights in the Investment Space survey, June 2021; McKinsey analysis

Having understood its starting point, an organization can then develop a set of initiatives to improve its offer to women investors. In our experience, it is helpful to tackle this challenge through a systematic three-phase approach:

1. **Transform your value proposition and investment journey** to better meet the needs of different segments of women clients: entrepreneurs, professionals, single, married, with children, divorced, widowed, retired, and so on. Design digital platforms thoughtfully to provide content and user experiences with women investors in mind. Relevant topics to cover could include savings for children, wealth family planning, and long-term pension products. Set up regular networking events for women to support financial education and gender equality, and involve local associations, business executives, and role models.

2. **Train your advisers** to put women's needs front and center and work to strengthen these customer relationships. Understand your customer base and use advanced analytics to determine the products and services most suitable for each customer segment. Tailor your advisory services and product offerings by segment and offer personalized support at different stages in women's lives, such as managing wealth before marriage and after divorce and planning retirement. Build your advisers' expertise in understanding women's needs for products, services, and solutions and how these needs change as women's careers progress, their household or family circumstances alter, and they grow older.

Importantly, both male and female advisers can and should learn to serve male and female investors well. In our survey, about 60 percent of

Questions for institutions to consider

Banks and investment firms seeking to improve their offer to women investors could start by reflecting on how well their current approach takes into account gender differences and what steps they could take to be more inclusive and responsive. Here are some questions that may help them with this self-assessment:

Value proposition and investment journey

- How can we engage more effectively with women investors?
- How can we meet the investment needs of women investors at different stages of their lives, such as starting out in a career, having a family, advancing in

a career, taking on care responsibilities, building funds for retirement, and so on?

- Do our financial advisers routinely schedule meetings with women investors to foster their involvement in investment decisions and strengthen their relationship with our institution?

People and adviser management

- Do we provide any gender-specific training for our advisers?
- Do we have mechanisms in place to take gender into consideration when advising on products and services?

- Do we offer our advisers training in optimizing customer relationships and maximizing retention?

Go-to-market strategy

- Do we create products that cater to women investors' preferences (product types, risk appetite, sensitivity to financial-market volatility, time horizons)?
- Do we offer investment advice and services tailored specifically to women?

investors said they had a male financial adviser. The women respondents did not express a preference for advisers of the same gender. When asked whether they would be interested in meeting an adviser of the opposite sex, 54 percent of women investors said yes, and only 18 percent declined—an almost identical response to that of male survey respondents.

3. *Rethink how your organization creates value for the women you serve.* Consider extending your footprint into new businesses and digital channels. Design and promote new investments and financial planning tailored to women's needs as they change over time. Provide segment-specific advice on topics such as funding education, healthcare, and retirement to help women plan for a more secure future. Develop new passive investment strategies that provide long-term income streams.

Leading European banks and wealth management firms are already developing initiatives to better serve women. The following examples are just a few of the possibilities:

- Some financial services companies set up dedicated online platforms and call centers to offer women financial advice tailored to the stage they have reached in their life. One bank created a magazine for women investors and holds events to share perspectives on women and finance.
- Others are developing dedicated wealth programs that offer women investors information, knowledge sharing, and access to savings and wealth management experts who can analyze their financial position and suggest options to consider.

- Another possibility is creating a digital community where women can access and pool knowledge and experience. One European fintech created an app-based community that provides investment services, financial education, and advice on major life events such as starting a family.
- When financial services providers know their customers well, they can meet the needs of women investors in specific situations such as divorce or bereavement. Services could include providing articles about strategies to control finances and maintain an income and setting up regular meetings with appropriately trained and experienced advisers.

So far, however, few institutions have been able to put in place an array of modular advice, financial education, and investment propositions that can be personalized for women investors at low incremental cost. In fact, there are no easy shortcuts to serving women investors more equitably, and institutions will need to consider most or all of the options outlined if they are to improve their offering for an increasingly diverse customer base.

Over the past few years, women investors have gradually claimed a larger share of Europe's wealth management markets, and they could approach parity with men by the early 2030s. However, many firms have yet to develop a nuanced understanding of women's needs or to work out how to tailor their strategies and offerings to meet these needs. Those that do so will prepare themselves not only to capture a share of a growing market but also to contribute to a more inclusive and equitable investment environment.

Cristina Catania is a senior partner in McKinsey's Milan office, where **Nicolò Pittiglio** is a senior knowledge expert and **Rosario Sorrentino** is a consultant; **Constance Emmanuelli** is a partner in the Paris office; **Martin Huber** is a senior partner in the Dusseldorf office.

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