



## The Rise of the Female Investor - Part 2

In "The Rise of the Female Investor: Part 2," Lisa Polson, Seed Investment Analyst explores the untapped market of female investors and the need for tailored financial guidance.

Gender differences in investment behaviour, the importance of building trust and adapting to female clients' unique preferences are key considerations for Financial Advisors looking to tap into this growing demographic.

We saw last week that there is huge potential for Financial Advisors in the still largely untapped market of the female investor. Women invest 29% less than their male counterparts, and only one third of women have a detailed financial plan in place. Why so few? When asked, one of the biggest barriers listed was an unmet desire for assistance. Many women feel they simply don't know how to get started, and their tendency to be more prudent and cautious can make the process feel intimidating.

The statistics highlight a pressing need for tailored financial guidance and support, and there are a huge number of female clients looking for an Advisor who understands them. The approach and the conversation has to be different when it comes to the female investor, because there are things that make a female client different from a male client. Not only do women generally have a longer life expectancy and greater interest in philanthropy, one of the biggest differences is the way behavioural biases generally manifest differently amongst the genders.

Men are generally more overconfident, and overconfidence has been found to result in increased trading frequency. Male investors are also more likely to hold unrealistic beliefs about how high their returns will be and are more impulsive and willing to act on too little information. Women, on the other hand, tend to be more risk averse when it comes to financial decisions. This can lead to a bias towards lower risk investments and over-allocation to cash. One study found that overconfidence in their investments is a non-existent trait in women.

Interestingly, women who do invest tend to outperform men. This is not because of their gender, but simply because the characteristics of a successful investor (such as patience) usually just come more naturally to women than to men. Women also have a greater focus on real-life goals, like putting their children through college, whereas men are more concerned about numbers. When asked to identify their top financial planning priority, 74% of women ranked "concern about their children and grandchildren". Men, on the other hand, were more concerned about maintaining their lifestyle in retirement. Another survey showed that women placed a much higher value on the connection they establish with an Advisor - they desire a personal fit.

Women also make great clients! It may take more time to get them onboard, as they tend to ask more questions, but once you earn their trust you are likely to have loyal client for the long haul. Once they have decided they've found a good fit, female clients are less likely to change Advisors than male clients. Women are also more likely than men to seek out the advice of their trusted Advisor for all their financial needs, and when it comes to referrals, women clients are more willing and likely to refer their Advisor to their friends and family.

However, a staggering 70-80% of women find a new Advisor within 18 months of the death of their spouse. Often, this is because they don't feel as though the Advisor has taken the time to build a relationship with them and they've been left out of planning meetings.

It really isn't about reinventing the wheel, but about responding to the ways women think a bit differently about money. The truth is that female clients aren't worried about the gender of their Advisor. They're looking for an Advisor who can work with them in a supportive, collaborative and holistic way, as well as one who can notice and adapt to the nuances of working alongside a female client.



**Lisa Polson B.Com**  
Investment Analyst

If you have any questions or require any guidance please reach out to our team on [investmentteam@seedinvestments.co.za](mailto:investmentteam@seedinvestments.co.za).

Follow Us On Social Media

