Is your business at risk?

When I shifted my career to managing private client wealth, I had a sense that women weren’t necessarily taking financial responsibility for their lives, and have always seen a disconnect between what women want and how the industry treats them. Typically, I’d get referrals to husbands versus couples. I set out to change that, and in the last few years have made a concerted effort to onboard women into my practice. Today, based on assets under management, 50% of my affluent decision-making clients are women.

Female Advisors make up approximately 12% of the industry1 – and I’m in an even smaller pool as a discretionary portfolio manager – yet what’s interesting to me as a woman is my gender isn’t a prevailing advantage for prospective female clients. To the contrary, I’ve read research indicating that women have no preference between male and female Advisors; what they’re looking for is someone they can trust. Trust comes from developing a rapport. And rapport comes from simply taking the time to listen, and ask good questions.

For Advisors with men as the primary or exclusive client relationship, business risk increases as women live longer and inherit family wealth. Case in point: 80% of widows leave their Advisors in the first year after the death of their spouse.2 And, it stands to reason that with “grey divorce” on the rise,3 many Advisors have a growing risk of losing at least half the assets from their 50+ aged clientele.

80% of widows leave their Financial Advisors.2

Fortunately, there are some concrete steps that can be taken to change beliefs, behaviours and ultimately close the gender gap in an Advisory practice.

1. **Forget assumptions and generalizations**
   I’m still shocked by assumptions about women and decision-making, financial literacy, risk tolerance, and what they want from an Advisor. When I get introduced to a new client or prospect, the first thing I do is assume nothing. Women are no more a homogenous client group than men – and generalizations may well be a barrier to successfully retaining women in an Advisory practice over the long term.

2. **Start with client onboarding**
   In a predominantly male industry, where the average age of Advisors is early-to-mid 50s, with a third nearing retirement age,4 it’s not surprising that there are some Advisors who’ve spent their whole careers dealing with men as the household decision-maker. If wives/female partners have been left out of your process, bring them in – immediately. If you need a prompt, simply ask your clients, “What if something happens to you tomorrow?” For new clients, get both parties involved from day one – without exception. I wouldn’t think of taking on a new couple unless BOTH people were at the table.
Women are not risk-averse. They are risk-aware.

3. **Dispel the myth that women are risk-averse**
   I suspect that if you ask most men if they are risk takers, they’ll say yes; it has a positive connotation. If you ask most women, they’ll likely start with “it depends,” think about context and start asking specific questions. That’s not the same as aversion. In my opinion our industry has not done a stellar job explaining risk, so there are people out there who equate investing in the stock market with losing their money. What I do when I meet with a potential new client, and also at speaking engagements, is help people to understand the entire risk spectrum, and the long-term benefits of a diversified, high-quality portfolio.

4. **Focus on “goals-based” planning**
   Avoid jargon, and too much focus on charts and numbers. Instead, engage clients in conversations about their financial future, and demonstrate that you’ll be with them every step of the way. Women, in particular, view money as having a purpose, whether it’s to fund retirement, legacy or both. Helping them achieve this aspect of financial success relies on goals-based planning: conversations about what they want, and what’s important...over time.

5. **Make planning a family affair**
   While women are living longer, and are at the helm of affluent households, I can’t stress enough the importance of forging intergenerational relationships, particularly against the backdrop of the current wealth transfer in this country. I have clients who span three generations in a household: mothers, adult children and grandchildren. Goals-based planning involves family history – and family legacy.

6. **Cultivate circles of influence**
   I’ve now developed relationships with two divorce attorneys, and have received very good referrals from each of them. One is a very successful woman who herself relied on her husband to take responsibility for their investment decisions, to the detriment of her portfolio. She’s happy to have found someone she can trust. I also have a network of accountants with small, intergenerational practices and similar, client-first values. There’s an inherent mutual trust, and they have an appreciation for my fiduciary approach, and what my CFA designation means in terms of advanced skill level.

7. **What resonates with ALL of my clients: My investment approach**
   I managed institutional money for 18 years before transitioning to retail investing in 2004 – in other words, long enough to know how complicated the industry can be, and to have experienced all market cycles. I was on the trading desk during the 1987 crash, managed $1 billion plus through the Dot-com boom and bust, and stewarded clients through the financial crisis in 2008.

When it comes to portfolio construction, I believe in the efficiency and effectiveness of ETFs, knowing that all the evidence confirms that few can outperform the U.S. market over time. And I appreciate that Canadian innovation led to their creation, and continues today with funds that provide tax-advantaged exposure to the U.S. from providers domiciled in Canada.

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**Lori Livingstone on BMO Women in Leadership Fund:**

“I was well aware of the data supporting the outperformance – across many metrics – of funds that invest in companies with a higher representation of women in executive leadership, so when BMO launched its Women in Leadership Fund, I thought it made a lot of sense. Over the long term, we’ll see even greater gender diversity at that senior level across currently underrepresented sectors for women, such as industrials and technology.”
Clients today have information available to them 24/7 – online, or on CNN and BNN – meaning access to so-called experts that can be dangerous to their financial health. I tell people to be wary of pundits. Form an opinion, of course, but take caution. No one has consistently predicted the market successfully – ever. My role is to be a voice of reason, and remove emotion from the equation. Being a discretionary manager helps immensely; in fact, I’d go so far as to say that if I wasn’t discretionary, I’d be emotionally impacted by clients – to the detriment of my ability to properly invest on their behalf. What also resonates with clients, experience aside, is my true desire to help.

8. **Ultimately, consider this a relationship job**

   It was the impersonal nature of managing institutional money that led to my decision to build a retail practice – and this aspect of my background seems to resonate most with my female clients. I was seeking – and found – real purpose in what I do. This is an entirely different job; this is *personal* – a long-term relationship job, driven by a desire to help people achieve financial success. I think I come across to clients as someone who truly cares. And at the heart of it, every client should feel like they’re in good hands.

**More resources to elevate your practice:**

For more practice management ideas, or information on BMO ETFs or BMO Women in Leadership Fund, contact your BMO Global Asset Management Regional Sales Representative. Readers may also be interested in our Woman and Wealth podcast, available here.

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4 Kenton Shirk, Cerulli Associates, “The average age of financial advisors is 50.9 and 43 percent are over the age of 55, according to new research from Cerulli. Nearly one-third of advisors fall into the 55 to 64 age range,” 2014.

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**Lori Livingstone - CFA, Portfolio Manager, BMO Nesbitt Burns**

Lori Livingstone has worked over 30 years in the investment industry starting her career on the equity trading desk of a Canadian brokerage firm. Armed with her CFA designation at the age of 26, Lori was one of the youngest and one of very few women with this designation at that time.

Lori went on to become an Analyst and Portfolio Manager with a large insurance company with responsibility for managing large institutional pools of money including a $1 billion Canadian growth portfolio. She gained valuable experience in the US, working on Wall Street with large pension and fund managers across the country. She returned to Canada in 1998 to manage Canadian and US portfolios through the dotcom boom/bust period.

In 2003, Lori narrowed her career focus to wealth management for individuals, families and foundations. Her team’s philosophy is to minimize the number of client households to maximize the client experience. While she doesn’t solely focus on women, she has a passion for helping women achieve financial success.

Lori graduated in 1984 with a BA Economics from the University of Western Ontario.

She is a long-time member of the CFA Society of Toronto.
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