



Good  
Money  
Week

# FINANCIAL ADVISER GUIDE

## TO GROWING YOUR BUSINESS WITH WOMEN INVESTORS AND ESG



# FINANCIAL ADVISER GUIDE TO WOMEN AND ESG

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# **SUSTAINABILITY IS AN INCREASINGLY IMPORTANT THEME FOR CONSUMERS, WHO WANT WHAT THEY WEAR, EAT AND DRIVE TO HAVE A POSITIVE IMPACT ON THE WORLD AROUND THEM.**

In the food and clothing industries, for example, sustainability is becoming synonymous with quality. This is fundamentally changing businesses, from high street retailers to industrials, and even commodity producers.

This trend is reflected in increasing demand for sustainable investment as well – many anticipate that this demand will only continue to grow, especially as millennials inherit and generate increasing levels of wealth.

**FROM MARCH 2017 TO MARCH 2018, THE ASSETS UNDER MANAGEMENT IN ETHICAL AND SUSTAINABLE FUNDS INCREASED BY 15% ACCORDING TO THE INVESTMENT ASSOCIATION (IA).**

“There is a change happening in terms of how people see money. Money is a thing that can be used for good, and we are increasingly conscious of our own responsibility in the world – sustainable investment is an easy way to align yourself with your beliefs.” – Lisa Hardman, Investing Ethically

What other factors are driving the growing interest in sustainable investment? “Basic financial sense,” for one, according to Peter Michaelis, Head of Sustainable and Responsible Investment at Liontrust. Michaelis explains that regulations and legislation increase costs for polluting businesses. As a result, “companies creating less pollution, and those involved in pollution reduction and efficiency technologies, should prosper.” Furthermore, environmental and social impacts are now regarded as mainstream issues, and “policy is increasingly decided with sustainability in mind.” Michaelis outlines another driver of the growing interest in sustainable investment – namely, “the realisation that investors do not need to sacrifice financial returns to meet their values.” This has been observed in the performance of many sustainable investment funds over the long term relative to what are considered “mainstream” funds.

**“COMPANIES WITH BETTER ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) SCORES WERE ASSOCIATED WITH BETTER INVESTMENT PERFORMANCE AND LOWER VOLATILITY” BANK OF AMERICA MERRILL LYNCH**

**“STRONG COMPANY-LEVEL ESG PERFORMANCE OFTEN ACTS AS A SIGNAL OF A GOOD QUALITY COMPANY. COMPANIES THAT MANAGE THEIR ENVIRONMENTAL RISKS, LOOK AFTER THEIR STAFF, AND HAVE SOLID CORPORATE GOVERNANCE TEND TO DELIVER ON TRADITIONAL ‘QUALITY’ INDICATORS SUCH AS HIGH RETURNS ON INVESTMENT.” BMO GLOBAL ASSET MANAGEMENT**

“Long-term transformative developments, such as technological and medical advances, not only have positive impacts on society, they have the potential to deliver attractive returns for investors,” according to Michaelis. This is because well-run companies, whose products and operations capitalise on transformative themes, are able to benefit financially, and “identifying these powerful trends and investing in exposed companies can make for attractive and sustainable investment.”

**“CONSIDERING ESG ISSUES IN INVESTMENTS MAKES SOUND FINANCIAL SENSE, AS WELL AS BEING THE RIGHT THING TO DO.” BMO GLOBAL ASSET MANAGEMENT**

**“SINCE MOVING INTO AN ETHICAL SPECIALISM (18 YEARS AGO) I’VE NEVER HAD TO GO PROSPECTING FOR NEW CLIENTS. A STRONG REFERRAL STREAM KEEPS CLIENTS KNOCKING AT MY DOOR — THAT SAVES TIME AND HELPS ME CONCENTRATE ON WRITING MORE BUSINESS”  
JULIAN PARROTT, FINANCIAL ADVISER**

# WHY FEMALE CLIENTS ARE GOOD FOR BUSINESS

Female-owned private wealth is growing at a very rapid rate; by some estimates, 60% of all private wealth will be in the hands of women by 2025. As a result (and as pointed out by Esther Muroko of Money Nuggets), “women-focused financial products have massive potential for growth. What’s needed is better marketing and engagement to ensure women make the most of their money and build wealth.”

Lisa Hardman of Investing Ethically recalls that recently, in a single afternoon, she acquired two new clients – both husbands of existing female clients. She also stresses how word of mouth has contributed to a considerable number of referrals through her female clients – as she puts it, “women have networks.”

Richard Essex of Grayside Ltd. highlights the importance of the family context in bolstering female financial savvy, stating, “typically, women will have been far more involved in planning for expenditure and contingencies over the years. Therefore, when it comes to financial planning later in life, they will often be the key influencer.”

All of this is significant because there is good evidence to show that women use money differently from their male relatives and partners - the challenge for wealth managers is to respond appropriately and take these different aims seriously.

Women as a whole are more likely to be interested in targeting both social and environmental goals and financial returns, or, as Jo Andrews of Equileap puts it, “making a difference and a return.”

Tanya Pein, a partner with Castlefield Advisory Partners, stresses that gendered investment opportunities are, “a useful way of adding diversification to a portfolio, and the benefits of that are manifold and well documented. I’d expect this trend to strengthen and for advisers to take a careful look at the new funds coming on stream.”

**“MY FEMALE CLIENTS WILL OFTEN PICK UP FIRST ON THE IMPORTANCE OF SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE INVESTMENTS – THEY WANT TO PROVIDE A TRULY, SAFE, SUSTAINABLE, LEGACY.” RICHARD ESSEX, FINANCIAL ADVISER**

Richard Essex feels that his female clients prioritise impactful investing, noting, “they will often have a very clear focus on how their investments can make a difference.” Esther Muroko advises that, “when you are designing and marketing your financial services products to female clients, remember that both financial and ESG objectives are important influencing factors.” The ultimate benefit of doing so is outlined by Julian Parrott, “ethical clients probably do ask more questions – but answered appropriately, they lead to long, engaging and profitable relationships.”

**‘WOMEN ARE MORE RISK-AWARE AND LESS DELUDED ABOUT THEIR FINANCIAL COMPETENCE’  
THE ECONOMIST (MARCH, 2018)**

**A MOXIE FUTURE SURVEY OF 2500+WOMEN FOUND THAT  
83% CARE WHERE THEIR MONEY IS INVESTED**

**DEUTSCHE BANK (2012) LOOKED AT OVER 100 ACADEMIC  
STUDIES ON THE LINKS BETWEEN ESG CHARACTERISTICS  
AND FINANCIAL PERFORMANCE. THEY FOUND THAT**

- 89% SHOW THAT COMPANIES WITH HIGH RATINGS FOR  
ESG FACTORS EXHIBIT MARKET-BASED OUTPERFORMANCE**
- 85% SHOW ACCOUNTING-BASED OUTPERFORMANCE**
- 100% SHOW A LOWER COST OF CAPITAL IN TERMS OF  
DEBT (LOANS AND BONDS) AND EQUITY.**

# HOW TO ATTRACT AND CONNECT TO FEMALE CLIENTS

## ESTHER MUROKO IS AN INVESTOR AND FOUNDER OF MONEY NUGGETS

Women make 95% of all household purchasing decisions: they're the savviest shoppers around! But for some reason, when it comes to financial services -- including savings and pensions -- we are often pushed to the back of the queue or defer to father and partners for advice.

Women control more wealth than ever before and we are expected to control 60% of private wealth by 2025 (CEBR, 2005). This means that women-focused financial products have massive potential for growth. What's needed is better marketing and engagement to ensure women make the most of their money and build wealth.

### WHY WOULD I WANT TO ATTRACT FEMALE CLIENTS?

Long gone are the days when a woman stayed at home and her husband brought in the money. Today 56% of UK households have a female breadwinner and this figure will only increase as the gender pay gap narrows. Women are also now a third more likely to go to university than their male counterparts, so when they do enter the workplace they will be better qualified for well-paying jobs.

### HOW TO CONNECT TO FEMALE CLIENTS

Research firm Kantar found that women were put off by the "aggressively masculine" world of financial services, often feeling that they were ignored. In order to counteract this perception, you need to (and note that nearly all of these can apply to a new male client too) :

- Be respectful
- Listen and give answers that are clear but not patronising
- Be prepared to discuss non-financial objectives relating to family life and security
- Address challenges faced by female investors
- Speak the language I can understand, as many find financial jargon off putting
- Share different options your client can consider and compare;
- Spend time building rapport and gaining trust.

### WHY WOMEN ARE GOOD FOR BUSINESS

Gender diversity isn't only about political correctness. It's about making sure you can access the very best expertise and skills, and to do that you need variety amongst your personnel.

Morgan Stanley research has shown that diverse teams not only perform better but also use their financial resources to drive social change.

Barron's has shown that having women significantly represented on boards generates higher returns on equity and invested capital, higher margins, a greater gender balance across the company, and it also lowers risk. In short, bringing women on board and fully utilising their skills is brilliant for business.

## KEEP IN MIND THE ATTRACTION OF ESG INVESTING

ESG investing refers to investing in the environment, society, and governance: three things which collectively have a huge impact on the world in which we live.

Female clients and millennials are far more likely to invest in ESG products than their older, male counterparts. They are interested not only in getting a financial return but in doing good as well.

When you are designing and marketing your financial services products to female clients, remember that both financial and ESG objectives are important influencing factors.

**“TODAY JUST ONE IN 20 INDEPENDENT FINANCIAL ADVISERS ARE WOMEN, SO THE INDUSTRY IS MISSING OUT ON A GREAT DEAL OF EXPERTISE. AT THE SAME TIME IT IS REINFORCING DAMAGING STEREOTYPES ABOUT IT BEING A MAN’S WORLD. WE NEED ALL HANDS ON DECK TO ENCOURAGE WOMEN TO INVEST.” ESTHER MUROKO**



## FIND OUT AND LISTEN TO WHAT FEMALE CLIENTS WANT

Women want to make a difference, as well as a return, according to Jo Andrews of Equileap. Find out what kind of difference is important to your clients - don't make assumptions. As Julian Parrott, a financial adviser with 18 years' experience in ESG investment points out, "this person has actively thought about their investments, what the money means to them and how they would like to be invested."

When setting up Moxie Future, I did an experiment with various financial advisers, including both men and women. I told them that I did not want to invest in fossil fuel companies. Period. Not one financial advisor took me seriously. I was patronised and talked down to - about how this would mean there would be very few funds I could invest into, or how I would have seriously reduced financial performance over time. I was astounded by how little these financial advisors knew about the issues (climate change, carbon budget, and so forth), but also how this was covered up and glossed over. Obviously, none of them knew what I did for a living before giving me these lines!

**JESSICA ROBINSON, FOUNDER, MOXIE FUTURE**

**“ MY FEMALE CLIENTS OFTEN VALUE THE RELIEF OF HAVING SOMEONE THERE, WHO UNDERSTANDS THEM, AND ASKS WHAT MATTERS TO THEM. THE MONEY DOES MATTER, BUT IT’S OFTEN NOT ALL THAT MY CLIENTS ARE INTERESTED IN.” LISA HARDMAN, FINACIAL ADVISER**

## SETTING THE SCENE

Your manner and accessibility is key in attracting (and retaining) a female client base.

Julian Parrott, whose firm Ethical Futures boasts a 56% female client base, provides some ideas that you might be able to work into your practice to create an accessible space for women and men alike:

- Create the right environment. Do your meetings in an office - it saves you time, but also (if you set it up right) provides an environment in which your client feels able to speak openly.
- This space can add to the feeling of security for anyone who is new to the world of financial advice. Some people, especially single women, may feel uncomfortable inviting a stranger into their home.
- Make the room comfortable with minimal clutter and not too flash. Ideally, have a round table so you can work 'around the table' with the client - not across it.
- Child care can be challenging, so be accommodating to parents that want to bring their child to the meeting. Space for a buggy and puzzles, crayons & paper to keep the kids entertained.
- From the start, suits were off the agenda - you'd be amazed at how intimidated some people feel when confronted by a 'suited and booted' adviser.

**“MY FEMALE CLIENTS ARE OFTEN AS PROMINENT AS MY MALE CONTACTS WHEN IDENTIFYING THEIR INVESTMENT NEEDS. THE VIEW THAT THE FEMALE IS LESS CONCERNED ABOUT FINANCIAL MATTERS AND HOW THEIR MONEY IS USED IS NOT ONE THAT I’M FAMILIAR WITH.”**  
**RICHARD ESSEX, FINANCIAL ADVISER**



## TIPS FOR INVESTING IN WOMEN

You can go full circle and offer investment opportunities that support women across society.

Investing in women and women-led companies is a hot topic right now. The 2017 Forbes Rich List had a record number of female self-made billionaires, and the IMF is adamant that investment in women's health and education pays huge dividends in terms of economic development. Here are some options you might consider:

- Invest in a fund for female-founded start-ups. The AllBright EIS Fund, for example, has invested in everything from AI to organic baby food, fintech to medical diagnostics;
- Become a member of Investing Women Angels to learn about how to be an intelligent angel investor, to find new investment opportunities, and to support female entrepreneurs;
- Give a loan to a female entrepreneur in the developing world through Kiva. Invest in her business and know that you are helping her family and community as well.

Esther Muroko

Equileap's job is to measure gender balance and gender equality in public companies. It publishes its research and rankings so that gender diversity globally can be transparently compared. Its methodology enables an Australian mining company to compare progress on gender balance and equality with a French cosmetics company or an American clothing company. Equileap also licenses its data so that financial institutions can build new, sophisticated, gender lens investing products. There is currently more than \$500m under investment powered by Equileap data, with the total market for gender lens investments predicted to grow strongly in the next 5 years.

We know that there is demand for this approach from wealth holders, we asked them before we launched Equileap in 2016, and we have had conversations with a number of people, women and men, who have told us of asset managers repeatedly telling them that no-one can measure gender equality in organisations, or that there are no products on the market. Yes it can be measured, globally, and yes there are products from a variety of providers.

Jo Andrews

**THANK YOU TO OUR SPONSORS BMO GLOBAL ASSET MANAGEMENT AND LIONTRUST AND EVERYONE THAT CONTRIBUTED TO THIS GUIDE.**

## FOR MORE INFORMATION

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**ETHICALINVESTMENT.ORG.UK**

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