



thinkpiece

Promoting debate and fresh thinking in the financial services industry

Women and financial advice: the new model 'financial health plan'

Carole Nicholls, FCII, FPFS

Summary

- A recent CII survey found that women say that they do not understand financial products enough, and perhaps as a result, feel less confident about making financial decisions than men, and are far more likely to favour simple investments such as current accounts or cash ISAS over the more complex investment plans employed by men.
- The popular press often puts this down to women's supposed lack of interest in the 'boring' world of finance. But how much of the problem is down to the male-dominated market offering – products created by men for men?
- Currently the offering is product driven – but women do not appear to want 'products' as such. They want to understand what they are buying, in clear, simple language, from someone that they can relate to.
- The hugely successful "WeightWatchers" offering is an excellent model for the industry to look to, providing clients with a plan, achievable goals, and a mentor to guide them along the way.
- This new model 'financial health plan' would open up financial advice to new markets – and not only women. It is a consumer-focused vision for everyone, and a challenge to the industry for the future.

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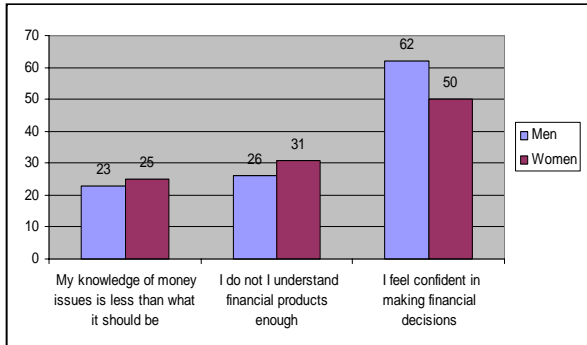
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CII Introduction: increasing financial capability has been a longstanding research theme for us – from our IPOD research into attitudes of young people in November 2008 to the recent thinkpiece by Jane Vass of Age UK on inclusive design for an ageing population. In this latest thinkpiece, Carole Nicholls, former President of the Personal Finance Society and principal of Nicholls Stevens Financial Services, extends this debate into a group often overlooked – women. She challenges the industry to evolve from the traditional ‘product’ driven offering to an ‘outcomes’ based offering, and puts forth a model for the new ‘financial health plan’ based on the massively popular WeightWatchers health plan.

Addressing gender as an issue is always a tricky project – loaded with assumptions, stereotypes, and very personal, deeply held views. It is no less a challenge when considering attitudes to financial matters, including financial planning and advice. A survey recently carried out by the Chartered Insurance Institute¹ indicated that women felt less confident about making financial decisions than men, that their knowledge of financial issues trailed men’s, and that they did not understand financial products enough, making it difficult for them to make financial decisions (see Figure 1).

Figure 1: Knowledge and confidence in financial issues



Source: CII 2008. Research undertaken by Populus.

Many cited lack of financial education as the root cause of this confusion. This may seem strange, given that men and women are generally subject to the same level of secondary and tertiary education. What might account for these differences?

¹ The CII commissioned market research company Populus to carry a survey of 1015 adults aged 18 and over in September 2008. The survey was carried out through online interviews of people from across Britain, and the results weighted to be representative of all British adults. Full research findings are available on request from the CII.

Too often the popular press endorse these attitudes with the use of simplistic headlines such as “Women must wise up about money”. Gender stereotypes are frequent, such as the suggestion that women would prefer to spend hundreds of pounds on a new dress rather than investing the money in a pension plan.

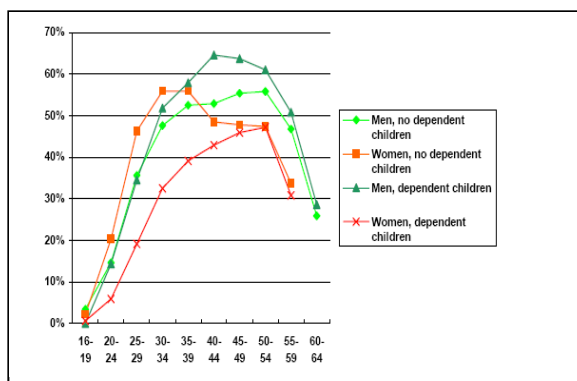
These comments are fragile. As an adviser, I have come across a great number of men who are clueless about cash, preferring to leave all investment matters to their wife or partner. Similarly, I have come across men who spend thousands, rather than hundreds of pounds on the instant gratification of cars and gadgets rather than investing for the future.

I would propose that the differences between men and women as far as finance is concerned are dependant upon circumstances rather than gender in and of itself. Gender affects people’s life trajectories differently, and this plays a major role in their financial situations as well.

Statistics show that when men and women start their working lives (between ages 16 – 30) their savings levels are roughly equal – perhaps even better. In this age group 55% of women offered membership of an employer sponsored pension scheme join compared to 38% of men.²

However, beyond this age the savings patterns of women are more likely to be disrupted by parenthood, divorce and caring for elderly parents. After the birth of a child a woman’s saving activity drops off steeply and takes 10 years to recover. Similarly after a divorce a woman’s savings pattern recovers less quickly than a man’s (see Figures 2 and 3).

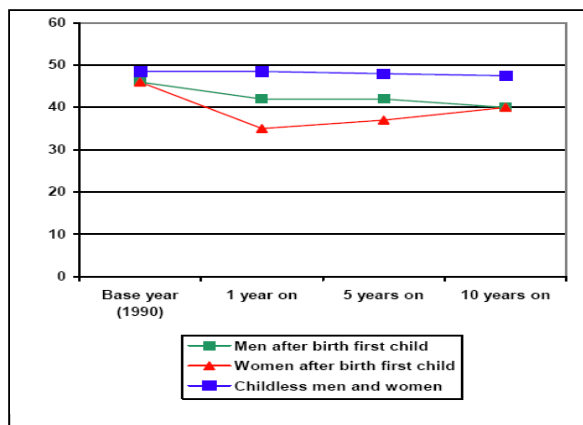
Figure 2: Percentages of women and men making use of access to employer pension schemes



Source: Fawcett Society. Saving lives: Women’s lifetime savings patterns. June 2007. Data from British Household Panel Survey (BHPS) 2000.

² BHPS 2000.

Figure 3: Proportions saving from current income



Source: Fawcett Society. Saving lives: Women's lifetime savings patterns. June 2007. Data from British Household Panel Survey (BHPS) 1990, 1991, 1995, 2000.

The more fractured work/home/family life experienced by women results in the need for greater security and flexibility in their financial planning. This may be why the same CII survey cited earlier found that women tend to favour simple investments such as current accounts or cash ISAs rather than the more complex investment plans employed by men (see Figure 4). They were also more likely than men to pay off debt and check their bank accounts on a daily basis.

“Women tend to favour simple investments such as current accounts or cash ISAs rather than the more complex investment plans employed by men”

Mortality tables show that a woman aged 23 is likely to live to be age 86.³ The earliest she will receive a State Pension is age 68. At this time, the earnings related element (currently State Second Pension) will have ceased to be earnings related, and hopefully rebranded “additional flat pension”, so the average woman would be ill advised to depend too heavily upon this benefit. If lucky enough to find employment, the first priority must be to pay off any university debt. Next it will be the struggle to get a foot on the property ladder – so where does financial advice fit into the picture? Is the current offering fit for purpose?

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THE CHALLENGE TO THE INDUSTRY

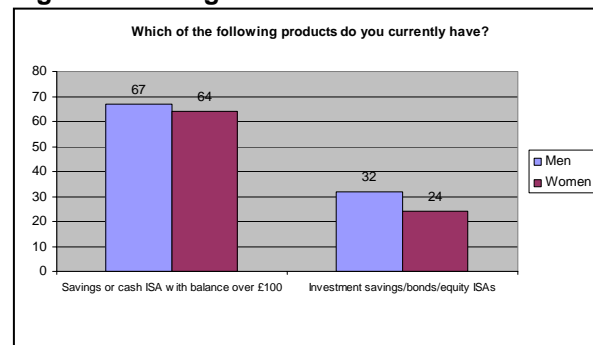
The current offering

Currently the offering is product driven. Women do not appear to want ‘products’ as such. The statistics show that women want to understand what they are buying. 48% of women say that the lack of clear information available makes it difficult for them to make financial decisions (compared to 42% of men). The format of advice is frequently a booklet or report full of jargon delivered by an employee of a Bank or Building Society. If women do not understand they do not buy, hence their propensity to cash type investments.

Women hold advisers in lower regard than men, on the average – the CII survey finds that, compared to men, women find advisers lacking in communication skills, such as using clear, simple language, and not easy to relate to. In my experience, advisers frequently patronise women, which only compounds the problem. Fewer women seek independent advice, because fewer know how to access it – although there are now more women gaining access to financial advisers via Internet search engines, like unbiased.co.uk.

Financial advisers may not be incentivised to give advice to women, particularly if they are not high earners. A recent report by the Prudential showed that in 2009, 2.76m women planning to retire this year anticipate receiving an average annual pension of £13,671 compared to an average of £20,313 for the 3.95m men. These figures may result from the gender income gap, but nevertheless indicate a gap in pension provision for women. Women are often deprived of quality advice in this area because financial advisers are reluctant to give pension advice to the lower paid (frequently women) due to fears of a mis-selling claim.

Figure 4: Savings and investments



Source: CII 2008. Research undertaken by Populus.

³ PFA(92) Faculty and Institute of Actuaries 2007

The new offering? A 'financial health plan'

Women who are not interested in 'product' will 'buy' a life financial health plan. We only have to look at the huge success of "Weight Watchers". Here is a model offering which provides a plan to work to and a mentor to bring you back in line when you deviate. Why not offer a financial health plan which incorporates some of these known elements of success? The financial services industry needs to offer life financial planning for women – and men – along similar lines. This plan should provide a personalised service, allowing each individual to work with someone he or she trusts to help handle any lifetime "financial disruptions" (in the same way as a diet or health plan). Many women and men would be happy to pay for such a scheme, possibly on a monthly basis.

Marketing

It goes without saying that financial services has an 'image problem' which has recently reached unprecedented proportions. The industry needs to build trust back to regain confidence, and not just in banking. Why not use this time of rebuilding to open the market to provide a better standard for all consumers?

The industry will have to work hard on thinking of more imaginative ways of communication and marketing to provide a better standard of service for women. Women say that simplicity and availability are the most important things to them when selecting a financial product (men also cite simplicity, but to a lesser degree, and favour innovation more than women). Thus the new financial health plan should focus on the *outcome* as well as the investment – making the connection with the product and the result in real-life terms.

"The new financial health plan should focus on the outcome as well as the investment – making the connection with the product and the result in real-life terms."

For example, rather than "shall we plan for school fees," the conversation may well focus on the type of school that the client favours for her child and then place the funding around this. When the client can "see" the outcome of her investment, interest immediately increases.

Similarly, a woman who says she finds investments boring may be persuaded to invest partly in shares in FTSE100 companies of whom she has heard, and partly in tangibles, such as fine art. She will be able to "see" the fine art and will be more likely to take an interest in the

progress of the value of her shares investing in retail stores, beverage, or pharmaceuticals. This may be more meaningful to her than discussing whether the return on the money will be 5% or 7.5%. She will however be relying upon the competence of the adviser to produce the required result.

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One of the ways of building women's trust in the industry should be to promote female role models. There are plenty of male financial "gurus" but far too few females. There are certainly enough women already in the industry to draw from – excellent female fund managers, stockbrokers, financial advisers and journalists. The 'discovery' of a female equivalent of Anthony Bolton of Fidelity is urgently needed.

The new model adviser

The financial health plan has to provide value – not the value of the product, but the value of the advice and the adviser.

One may think that the industry should recruit women to deal with financial advice for women. It is an excellent idea for the industry to be more active in recruiting women advisers – but not solely to deal with women! All advisers should be taught better "soft skills". The new model adviser will need to be well qualified and to have good communication skills. There will be some responsibility for the adviser to provide a financial education along the journey (particularly because women say this is sorely lacking), so that clients can fully understand their financial commitments. Product knowledge will no longer be sufficient; the adviser may need to have wider business knowledge. For example, if a woman decides to set up a small business from home while raising a family, her financial planner would be there for help in all areas of the project, from taxation to employment law.

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We should not forget the important impacts that increased longevity will have on women and their financial affairs. Women are living longer than men, but many are unwilling to commit to long-term savings because of the uncertainty of their future. Tax relief given on contributions to a savings plan with deductions from pay, similar to Personal Accounts, which could be realised at

specific times of financial crisis such as child birth, divorce, death of a partner, retirement or long-term sickness, would help women to commit to longer term savings – to their benefit as well as the overall good of the economy.

There is a much-needed role for well-trained advisers to support older women who have been widowed. Many have relied totally upon their husband for financial advice and when bereaved, discover that they do not even know how to pay a bill. In this particular instance, skills such as empathy will be incredibly important.

Finally, delivery of advice in the future may be more targeted to deliver the relevant information to the right audiences – in their own spaces. Many people already use the Internet to buy financial products, but one might envision the use of newer technologies such as social networking that would allow clients to consider advice in their own environment at a time to suit their other commitments.

Not just for women

This vision for the future is not exclusively for women; it is a vision for everyone, and a challenge for the industry. A more consumer-focused, simple offering based on a long-term plan, rather than financial jargon, has the potential to open up new markets in many directions. Most importantly, such an offering would help to build back the public trust in the industry that is so deeply needed at this time.

Do we have what it takes?

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Carole Nicholls has run a fee-based firm of independent financial advisers, Nicholls Stevens Financial Services since 1986. She concentrates on giving financial advice to those preparing for and in retirement, both individual and corporate. Although her services are not directly aimed at women, many women do seek her advice. Carole has always placed emphasis on the importance of clients' understanding of their investments. She sees part of her role as educating her clients, and finds their resulting increased financial confidence very rewarding.

Carole is a past President of the Personal Finance Society (2007/8). Among her qualifications are Fellow of the Personal Financial Society and Fellow of the Chartered Insurance Institute.

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The property market has been hit hard by the current recession, and impacts of the decline have seen deflation reach new levels. Many assume that recovery is around the corner – but what will happen if prices continue to fall? Vanessa Rossi and Nora Burghart of Chatham House explain the serious implications of a prolonged recession, focusing on how insurance premiums, in particular, might cave in to ongoing market pressure.

[How Can the Insurance Industry Promote Climate Change Adaptation? A Case Study from the UK](#), by Swenja Surminski, ACII of the Association of British Insurers (published 21 May)

An overview of the insurance industry's recent work promoting climate change adaptation. Swenja Surminski of the ABI explores efforts to improve understanding of current and future risks, protect homes, businesses and communities, and develop risk management solutions for climate risks.

[ClimateWise: The Insurance Industry Challenging Itself to do More](#), by Andrew Voysey (published 15 April)

In the second instalment of our climate change series, the ClimateWise secretary gives his personal view on the role the initiative and the industry more widely can play; and then explores some of the challenges confronting them.

[Ageing and Migration Trends: Preparing for Change in the EU's Labour Market](#), by Vanessa Rossi and Nora Burghart of Chatham House (published 30 March)

Analyses the changing age and migration trends in the EU labour market. Might the impact of ageing be reversed by raising the retirement age to 70? How important will migration be in picking up the slack left by a declining indigenous population? How ready is the insurance industry in dealing with these changes?

[Pandemics – be Prepared](#), by Trevor Maynard of Lloyd's (published 18 March)

Summarises the issue of pandemics and the insurance industry. His paper shows that the risk of a pandemic is ever present, despite the decline in media interest, and that contingency and business continuity planning is vital. Alerts of consequences of a global pandemic, the plans in place by governments, and highlights the need for insurers in particular to be prepared for all eventualities.

[An Inclusive Approach to Financial Products](#), by Jane Vass, CertPFS of Age Concern (published 2 March)

Examines the industry's approach to delivering products and services to older people. She argues that there are large gaps in the design of mainstream financial products and services, with many providers ignoring the changing physical, cognitive, social and emotional needs of their older customers, and calls for the industry to take a new approach shaped by principles of inclusive design.

[The Science of Climate Change and the Implications for Risk Management](#), by Maureen Agnew and Ana Catalano (published 16 February)

Reviews the science of climate change, warning that increases in temperature and sea level rises will continue, and this has already become serious for the insurance industry. This summarises Chapter 3 of the CII full report [Coping with Climate Change: Risks and Opportunities for Insurers](#) which was launched on 23 February.

[The Rising Influence of the Gulf in Global Finance and Business](#), by Vanessa Rossi and Ruth Davis of Chatham House (published 13 February)

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