Special Edition:
A Decade of Rich Thinking

Barbara Stewart

MARCH, 2020

Barbara Stewart is a Chartered Financial Analyst with 28 years of investment industry experience; five years as a foreign currency trader and then more than two decades as a portfolio manager investing on behalf of high net worth entrepreneurs. 10 years ago Barbara saw a need to challenge outdated financial industry stereotypes and share positive messages about women and money.

Today, Barbara is recognized worldwide as one of the leading researchers in women and finance. *Rich Thinking*® global research papers quote smart women of all ages, professions and countries and are released annually on International Women's Day, March 8.

Barbara is a keynote speaker for CFA Societies, banks, stock exchanges and industry conferences around the world, and conducts interview driven research for financial institutions globally. She is a columnist for CFA Institute, Canadian Money Saver, and Golden Girl Finance and is also on the Advisory Board of Kensington Capital Partners.

For more information about Barbara's research, please visit www.barbarastewart.ca.

Key findings from all 10 years of research

1

Actions speak louder than words

- Women, by nature, will openly admit self-doubt about their investing prowess
- Women (even the most financially literate) will say they 'should' learn more about money matters
- Women are in fact highly capable investors based on their actual investing behaviours

Money messages

- Women learn about finance and success through conversations with real people: mentors, role models, families, friends
- Women also learn via positive or negative observations/lessons such as watching a parent enjoy their work or conversely struggle with debts
- Women develop financial confidence by absorbing key money messages they learn when growing up

Ester Levanon, Former Chief Executive Officer, The Tel Aviv Stock Exchange Ltd. – Tel Aviv, Israel:

"When I was two, my father was killed in the war. Fortunately, I had a very close relationship with my grandfather – he always treated me as a smart person. I was the best mathematician in the house from an early age. I learned from my grandfather and in turn I have always treated my own two sons as equals. They participate in all family discussions about money."

Caroline Cakebread, Pension Expert and Founder, Canadian Leadership Congress – Toronto, Canada:

"My mother was a single mom who owned her own small talent agency. It was a great environment where she could bring her whole self to work. I watched how she nurtured her clients and how she always had fun at work. Real fun…not fake fun. They would put a sign out front sometimes that said 'in a meeting please call' but all the staff would actually be in the back room playing cards! I learned how as an entrepreneur you live and work when and how you want to live and work."

Getting started investing

- Women use social media to discuss investment ideas and opportunities
- Women use social trading platforms to get started investing right away

Aude Baylet, Global Luxury Brand Expert – Paris, France:

"Social media helps women have more opportunities to get exposure, and digital helps women have the same chance of success as men by levelling the playing field. Brands are investing in social media because they understand that women are as wealthy as men. They listen to the women – women are their main clients."

Kristi Ross, Co-Chief Executive Officer and President, tastytrade - Chicago, US:

"I always wished that I had started investing when I was much younger. But I didn't have the encouragement, the technology, or the easy access to do so. Financial education is empowering – especially for women. So we want to spread the information for free to the masses and provide content and visual technology as inspiration. This way we can help people that want to manage their own money. Even if it is a small amount, it is the depth of knowledge they gain just by 'doing.' We want to pave the way for younger traders and make it easier to start investing at any age."

Assessing investment ideas

- Women prefer to learn about investing ideas via real-life stories
- Women share financial experiences with the next generation: family life is central

Judy Blumstock, Senior Director, MaRS Innovation - Toronto, Canada:

"From dinner table discussions, I began investing in the stock market at a young age and remain a fairly active investor. A child-like mindset can be helpful: kids often have clear views on future trends. So I try to look at things simplistically, as I did when I was a young investor. Investing is a way to distill one's thinking and it's a great window into economics, politics and human nature. I prefer to make my own calls on my investments rather than relying on others, but that's a personal preference."

Investment preferences

- Women prefer to invest in causes and concerns that matter to them
- Women are interested in investing in ideas that will benefit society as a whole
- Women want to take action and do something about today's issues via their investments

Anne Marie Jess Hansen, Chief Commercial Officer, Knowledge Cube - Copenhagen, Denmark:

"I invest in women and children by channeling funds into two Danish NGOs (nongovernment organizations) committed to these purposes. I also invest in the education of my children. My father told me, "You can never overinvest in love and education for your children, the rest they will have to do themselves." Investments equal choices. Choices equal freedom. I want to be free to choose my path."

Investing in Ideas

- Women get their 'big idea' at any age but most often when they are in their 30s or 40s
- Women take action. Once they have their big idea, two thirds get started on it very rapidly
- Women invest in their ideas. Half invest their personal savings and over 25% spend $100,000 or more on their big idea
- Women support other women. One quarter of the big ideas were around ways to support gender equality – often, via angel investments

Teresa Condicion, Co-Founder & Chief of Data Science & Operations, Snapchat – Singapore:

"After 17 years of being in market research that was primarily done with pen and paper surveys, we had the idea that this could be digitized! Historically, companies like Procter & Gamble would spend millions of dollars on survey-based reports that would be delivered three months late. Then they made billion dollar decisions based on that information. Our company, Snapcart, is a shopper engagement platform. We offer cash back to shoppers for grocery and pharmacy receipts, which we read in real time using cutting edge analytics and machine learning of images, texts and structured data. Our reports have revolutionized the market research industry: they are delivered in a week and at a lower cost. We now work with 75 brands across South East Asia and Latin America. We managed to find a better way to do something that hadn't changed in the last century. We have grown from 20 people to 150 people in just three years. When we started this idea I knew there was promise, but this turned out to be way bigger than I ever dreamed possible."

Managing money

- Women manage their money in one of three ways:
  1) taking a structured and disciplined approach to their finances
  2) strategically leveraging opportunities based on the investing environment
  3) seeking out trusted advisors so they can focus on their interests and passions

Joanne DeLaurentiis, Corporate Director - Toronto, Canada:

"Despite the fact that I have spent most of my career working in financial markets, I cannot predict them! I have learned the importance of relying on my ability to consistently save rather than hoping for 'the magic bean.' I suppose one could get lucky and win the lottery but the odds are against you. I manage my money conservatively...I am a very rational person and I apply practicality rather than philosophy to money management. I ask myself "What are my objectives in life?" "What are the essential things versus the things that are nice to have?" "Am I being realistic about what I can afford?" I have come to appreciate the value of a pair of sturdy shoes rather than a pair of fashionable shoes."

Ariane Bucaille, Partner at Deloitte France - Paris, France:

"My goal is always to try and have a 'leverage effect,' where the whole idea is to always be thinking about how I can leverage the financial opportunity associated with my real estate holdings. Secondly, I only invest in private companies – where I clearly understand the business model. I assess the personalities of the founders of the businesses and I make sure that I understand what I am doing and why. I think my less traditional approach to money management is a result of my lack of trust in the stock market. Focusing on private businesses allows me to invest smartly and also help entrepreneurs."

Risk-taking

- Women aren't risk averse; they are risk aware
- Women take more time to make investment decisions – they do their homework
- Women are motivated to take a risk if the opportunity is aligned with their personal causes
- Women take calculated risks and invest according

Kathryn Baker, Investor and Board Professional - Oslo, Norway:

"I see clearly that the opposite side of risk is reward. I like making decisions based on a set of facts and my opinions…and then seeing the results of it."

Marie-Josée Tremblay, Former Air Traffic Controller - Montreal, Canada:

"One of the most crazy difficult jobs in the world is being an air traffic controller. At the time that I studied in the early 1980s the failure rate for the course was 90% for civilians and 75% for military. Taking on a hugely risky job has taught me a lot about how to minimize risk. My biggest piece of advice about life? "Trust but verify." If there is smoke, there is a fire somewhere. Communicate well. Call people on it. Confront them. Trust the hairs on the back of your neck."

Top tips for business success

- Women have five main tips:
  1) Be a lifelong learner
  2) Speak up
  3) Form deep relationships
  4) Always remember your why
  5) Follow your inner voice

- Women have deeply personal 'whys' behind the significance of their top tips

Marlene R. Benson, Federal Bureau of Investigation (FBI) –
Supervisory Special Agent and Firearms Instructor, (Retired), FBI Academy - Quantico, US:

"Only about 3% of the instructors within the FBI are women. I am the only female Firearms Instructor presently instructing at the FBI Academy. Over the past 21 years of Government Service I have served the mission in many different roles in many different countries, from working drugs in El Paso to Eurasian Organized Crime in Miami. And yes, there are things I cannot talk about. When people ask me what we do at the FBI, I tell them we put bad guys in jail.

When am I most afraid? I've had a lot of loss in my life. But, the two most sobering moments were watching my sister die before my very eyes and seeing my own brother in that black and white jumpsuit (jail uniform). My sister struggled with addiction most of her life, as did my brother who also turned to selling contraband. I am definitely fearful of the pain caused by addiction – how it affects the addict, how it affects loved ones, and how it affects our future.

I am finishing my career where I started it–at the Academy, where I now help prepare the next generation of FBI professionals. One of the points of advice I pass on is 'do not forget your why' – that why that brought you to the FBI."

Financial independence

- Women across all countries and cultures highly value financial independence

Cheryl Reicin, Partner, Head of Technology and Life Science Practice, Torys LLP (Toronto/New York) – Toronto, Canada:

"My father ingrained in me and my sister the need for what he inelegantly called 'F U money.' This wasn't money for spending on frivolous luxury items or vacations, but money that would allow us to walk away from an intolerable work situation, a bad marriage or even to fire a customer or client who was more trouble than good. In other words, money to allow us the freedom to pursue the careers and lives that we wanted."

The concept that "I make my own money" and "I make my own decisions" is the dominant theme globally. You can't be an independent woman without being a financially independent woman.

My personal experience from 10 years of doing this research

2

I started doing *Rich Thinking* research ten years ago because I had a hunch that the media or the financial industry was not portraying the area of women and finance accurately. Why were all the messages about women and money so negative? This was completely at odds with my day-to-day experience as a portfolio manager dealing with so many strong, capable female investors.

I realized that if we were to keep repeating the same inaccuracies about women's actual capabilities and behaviours about money there would be no progress. It was up to women like me to make a difference. I'm happy to report that 10 years (and over 800 interviews in 28 countries) later, we have gained a much more accurate perspective on women and finance.

Meeting accomplished women around the world and sharing their inspirational messages has been a fascinating and rewarding road to travel. It has been easy to continue this important work because of the encouragement and support of all of the smart women (and men) that I have met – they have convinced me that the demand for fresh thinking continues to be loud and clear!

Rich Thinking has become a valued source of qualitative research for academics, major financial institutions and professional organizations internationally. Things have changed over the past ten years. It isn't quite 'night and day' but I am no longer feeling alone in my efforts to change the global conversation around women and money. There are now many individuals and organizations who are asking different (more relevant!) survey questions to assess women's financial behaviours. And the results are encouraging.

This research has affected my life in a massive way. In 2016, I left my job after 25 years in the investment industry so that I could devote myself full-time to *Rich Thinking* research. As a recovering perfectionist, I deliberately didn't put much formal planning into my transition other than following my favorite mantra: "You become what you think about."

Like many of the women I have interviewed over the years, my ideal path is to live all parts of myself through a fully integrated work and personal life. I want to focus exclusively on work that allows me to express my ideas and vision of making the world a better place for women.

I am eternally grateful to all of the *Rich Thinking* contributors for their candour and their generosity of thought. Thank you for an amazing decade of research!

Barbara

Where do I go from here?
Research roadmap

3

Where do I go from here? After ten white papers – a combined almost 500 pages of research – I realize I spent many of those pages mythbusting: No, women aren't risk averse. No, women don't lack confidence. No, women don't want to learn about investing the way men do…and they don't have to! Now that my research (and other research too, of course) has 'shifted the conversation' over the last decade, there's less need for busting myths.

My plan is to go deeper. Now that we have agreed on common ground, I want to dive deep. I'm now interested in researching the next frontier: What should be the focus for the next 10 years to make real change happen in the world of women and finance?

I will continue to have one-on-one conversations, but some research is also likely to be done in more of a group setting (think 'financial salons') plus some quantitative, survey based work when that's the right tool for the job. It isn't always: I know from experience that gathering data from open, honest exchanges and sharing the collective wisdom…this is the most effective way to make real change happen.

I will invite women of all ages to discuss their financial opportunities, their risks, their investments, and their ideas…this input will drive the road ahead for my research. The more we understand about each other, the better we will be in a position to guide the financial industry, and all industries, to serve our needs and interests.

Appendix A:
Women and Wealth:
Three Findings and Their Risks

A

Reprinted from CFA Enterprising Investor, November 2019

In a decade of researching women and finance, I have interviewed over 800 highly accomplished women globally from diverse age groups, professions, industries, and backgrounds.

Over all those years and interviews, my three key research findings relate to women's preferred communication style for money and investing, the types of investments that appeal to most women, and women's attitudes toward risk taking.

So what are these three findings, what changes do they demand from the investment industry, and what are their top three associated risks both for financial advisers and their female clients?

1. How Women Prefer to Communicate about Money and Investing

How do you talk about yourself?

Most women downplay their accomplishments or knowledge when asked. Even financially educated and capable female professionals often put themselves down when describing their own skills.

According to a 2018 FINRA report:

> "Women answer 'Don't know' more often when surveyed. This could result from women being more open to assistance or less confident than men, or it could reflect men being overconfident in their self-reporting. After removing respondents who answer 'Don't know' from the analysis, the gender gap in financial literacy narrows for boomers and gen-Xers and nearly disappears for millennials."

When it comes to women and financial aptitude, actions speak louder than words.

How do you prefer to talk about and learn about investing ideas?

From my interviews, nearly all women favor stories about people rather than charts and graphs. Women are more inclined to share real-life issues and situations with their close friends and the next generation: Family life is central. Women tend to talk about money matters in more grounded ways, with a view to how a financial situation or an investment is likely to affect their family and their lifestyle.

So now we know how women prefer to communicate about money and investing. But it may seem risky to change how communication is conducted in the industry.

What is risky about communicating in a woman's language about money and investing?

For advisers:

It can be a career risk to try and change the way things have always been done. About five years ago, when I was working as a portfolio manager, I shared an idea in an investment committee meeting: Let's come up with stories about each of the companies we hold in our client portfolios. That way it will be easier for our clients to understand what they're invested in: Most entrepreneurs aren't experts in businesses other than their own. My idea floated out into the room and then floated on out the window. No comments at all. At the time, it came across as a crazy idea. But now many firms use female-friendly social media and trading platforms with clear, modern, transparent, and story-based communication.

The investment industry has a history of focusing on male clients. Also, our male clients may feel they have to pretend they know everything about money! It is risky for advisers to change and start directing conversation to both the women and men in the room. What happens if the men feel demoted? We need to make our female clients feel important, but without making our male clients feel less so.

For female clients:

It is risky to hold too much cash. As advisers, our job is not to judge the reasons why some female clients don't invest — our job is to get them started. We need to effectively communicate.

Why is this so critical? Because cash is among the lowest-performing asset classes over time, and on average, women live nearly five years longer than men. That means the average female retiree needs to save and invest well over $100,000 more than the average man.

2. Women prefer to invest in causes and concerns that matter to them.

In 2013, I interviewed 100 smart women around the world and asked them how they were investing their money. At least half told me they were spending some portion of their potential retirement funds on what matters to them now rather than investing in traditional longer-term asset classes. In fact, 25% said they were investing a sizeable portion of their wealth in a business that was directly related to their personal cause. In subsequent years, I conducted commissioned research on the same topic for various banks, and this finding was confirmed across the board.

What are the main causes and concerns that matter to women? Ideas that will benefit society as a whole by promoting health, children's welfare, gender equality, or other forms of social justice. Women want to take action and do something about today's issues. Investing is a powerful way to accomplish that.

As I pointed out in *“The Female Asset Mix: Value Investor or Investor in Values?”:*

> “It is our fiduciary responsibility as advisers to make sure we have a deep understanding of our clients’ investment objectives and constraints. Their values are just as important.
>
> “In the same way that we need to remind our clients to ignore market volatility or political instability and focus on their long-term return objectives, we may also have to remind them of those stated values.”

What is risky about investing in causes and concerns that matter?

For advisers:

It may be against the firm’s policy to sell outside products that might better align with client values. Or it may may mean the adviser earns less by doing so. But firms and advisers need to create deep value propositions that resonate with customers of all types if they want to stay relevant. They need to make applying environmental, social, and governance (ESG) screens as easy as a click on a drop-down menu. To attract female capital, the finance industry needs to connect what is personally meaningful to each woman with relevant investment opportunities.

For female clients:

Women are searching for stocks and funds to invest in that reflect their core values. Often these securities will be in assets that are more “risky” than the average S&P 500 stock, and at least one study shows that they tend to have more concentrated holdings than other funds.

3. Women aren’t risk averse; they are risk aware.

Whether it’s investing in a new venture or the stock market, as long as a woman is interested and an opportunity is aligned with her personal causes and concerns, she will be motivated to take a risk. She might take more time to make an investment decision, but that’s because she does her homework. Once she has delved into the details to her satisfaction, she will take calculated risks and invest.

Today, we have a powerful combination of digital tools and motivated women with a high tolerance for risk. Whether they are driven by an opportunity in the market, self-actualization, or working for the greater good, women are taking risk and women are taking action.

What is risky about getting risk wrong?

When we talk about risk tolerance, we often assume the risk we are tolerating is short-term market volatility. But the real risk is when longer-term investment objectives are not met.

For advisers:

If clients don't take enough risk or if they take too much risk, we end up with an unhappy client. Make risk a much broader conversation.

For female clients:

It is risky when advisers blindly follow the stereotypes about risk. A woman's longer-term objectives will not be met. Advisers need to communicate in her language and hear her stories. Sadly, the risk many of our female clients will face is being pigeonholed into the wrong asset allocations due to inaccurate, "traditional" advice.

The Overriding Risk?

When it comes to women and wealth, the biggest risk for advisers is refusing to change, remaining in our comfort zones, and operating as we have always operated. In turn, the biggest risk for female clients is settling for poorly delivered, lazy, and outdated advice.

From my standpoint, the messages are too loud and too clear to ignore. There is no turning back. We as an industry must accept and embrace these findings or risk losing our clients and even our businesses.

Change can introduce lots of discomfort for both clients and advisers. But, paradoxically, change may turn out to be the best way to manage risk.

Appendix B:
Women and Finance: The 2019 Rich Thinking Quantitative Survey Findings

B

Women and Finance: The 2019 Rich Thinking Quantitative Survey Findings

By Barbara Stewart, CFA and Duncan Stewart, CFA

Reprinted from CFA Enterprising Investor, January 2020

Barbara's first *Rich Thinking®* white paper on women and finance, based in part on a quantitative survey of 1,000 Canadian women, was self-published 10 years ago. For the next nine years, her research methodology was primarily interview based – she conducted more than 800 of them, in fact – and qualitative. From that dataset, she distilled the top three findings in November 2019.

Although 800 interviews collectively make up a robust and statistically useful data source, they span 10 years and the questions differ each year. So partly in honor of the first *Rich Thinking* paper and also to ask some more sweeping questions, Barbara and Duncan conducted a quantitative online survey designed by Çiğdem Penn of XSIGHTS.

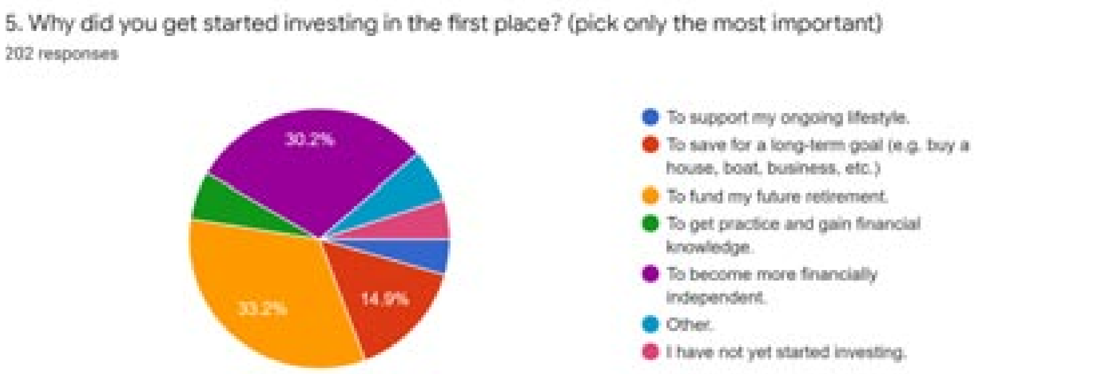
The survey ran from 25 November 2019 to 31 December 2019, and we collected responses from over 200 women across 24 countries. About half of these women were aged 35–54, more than a quarter were 18–34, and 20% were 55 and up. The sample skewed educated: Only 5% had not completed some post-secondary education. About 30% had personal annual income of less than US$75K, 43% made US$125K or more, and just over a quarter were in between.

When Barbara started doing this research a decade ago, she wanted to bust several myths: that women didn't invest because they were not confident/independent enough, that they were afraid of risk, and that they needed to be "educated" on how to invest. Her hunch at the time? That all three of these generalizations were not just slightly off, but totally backwards. And her interviews have since borne this out.

Sisters are doin' it for themselves.

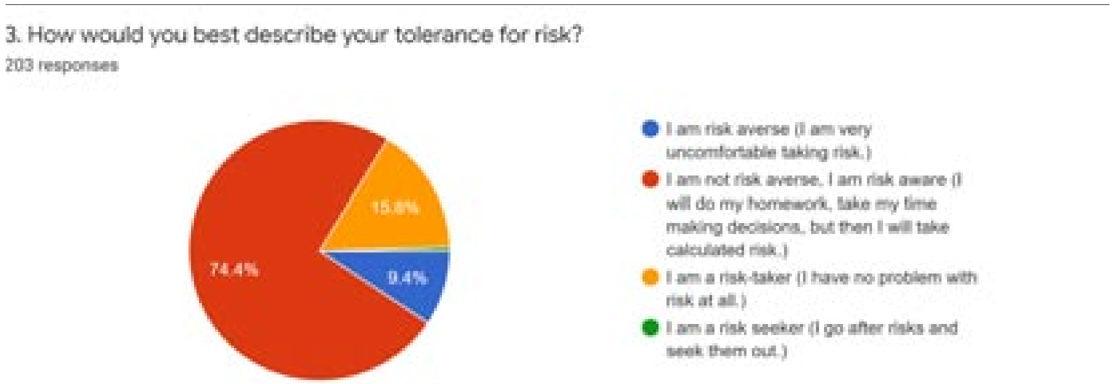
Just under two thirds of respondents said they make their investment decisions either entirely by themselves (26%) or mainly by themselves with some input from others (39%). Those numbers were even higher for non-investment financial decisions such as banking, loans, and mortgages: 50% of women make those decisions on their own, and 26% say they make them mainly on their own. That adds up to a combined three quarters of women!

Our survey asked women to pick the top reason they began investing. The most common answer, chosen by one in three, was hardly a surprise: to fund their future retirement. But the second-place answer, selected by over 30%, was to become more financially independent. As Barbara pointed out in the 2017 article launching her seventh white paper, "You can't be an independent woman without being a financially independent woman!"



Risky Business

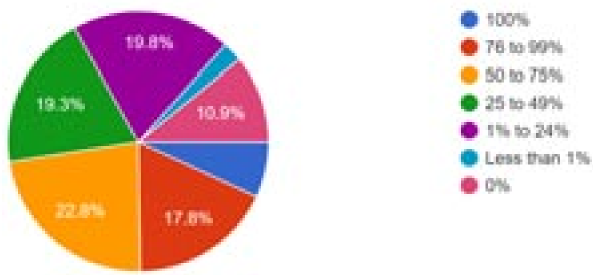
Perhaps things have changed in a decade, and perhaps *Rich Thinking* has been a part of that change. We hope so. But if it was ever true that women were excessively fearful about risk, it's not true anymore. Fewer than one in 10 women said they were risk averse, while nearly three quarters said they were risk aware, not risk averse. And about 16% self-identified as risk taker and said they had no problem with risk at all.



Given that equities are currently at all-time highs, this "risk-aware, not risk-averse" mindset shows up in asset allocation. Although women have historically been seen as badly underweight in equity investing, just under half of survey respondents indicated that more than 50% of their investable assets are currently in stocks, whether through shares, funds, or exchange-traded funds (ETFs), and a quarter say their equity exposure is over 75%.

10. What percent of your overall investable assets do you currently have invested in equities? (either direct investments, or through a fund, ETF or other structured product.)

202 responses



We don't need no education.

Men didn't participate in this online survey, but after 20 years working for big, small, and medium investment firms run by them, Barbara knows that the traditional approach to getting people to start investing is to bombard them with charts, graphs, and books and to suggest they maybe take a course or three. And that works for some.

But only a fifth of survey respondents said they began investing because of a course (10%) or a book (9%). Most credited mentors (18%), family and friends (8%), or self-service online/social trading (18%). That said, there are many ways to get started: The survey gave respondents seven different pre-set responses, yet nearly 30% picked "Other."

That women don't need to read a book or take a course is good news: The top choice when we asked what path was most important for their investing success was "just get started investing as soon as possible," with nearly half (45%) of all respondents picking this answer.

As a new decade begins, both measured by *Rich Thinking* reports as well as the Western calendar, we are excited to see how women and finance will change further.