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Women and Sustainable Investing

by Joseph F. Keefe, President & CEO, Pax World Management LLC

We often hear of a "gender gap" in politics. In the 2012 presidential election, women supported Barack Obama over Mitt Romney by 10 percentage points more than men did. In 2000, they supported Al Gore over George W. Bush by 10 percentage points as well, and in 1996 favored Bill Clinton over Bob Dole by 11 percentage points. A gender gap in party affiliation—with women identifying more as Democrats—has been evident since the early 1980s. On public policy issues, women are more likely than men to favor an activist role for government in guaranteeing health care and basic social services while also being more supportive of gun control, same-sex marriage and legalized abortion.[1] Essentially, women's political views in recent decades have trended more moderate-to-liberal while men have trended moderate-to-conservative.

Not surprisingly, these attitudinal differences between the sexes play out when it comes to money and investing as well. Women are more inclined than men to want their investments aligned with certain social and environmental values. A recent U.S. Trust survey of high net worth investors asked how important social, political or environmental impacts were in evaluating investments. Such impacts were considered "somewhat" or "extremely" important by 63 percent of women but only 41 percent of men.[2] Another survey similarly found that nearly 42 percent of women—compared to less than 27 percent of men—report that they are "likely" or "very likely" to make environmentally responsible investments.[3] A 2014 TIAA-CREF survey found 70 percent of women were interested in investing money or investing more money in socially responsible investing strategies compared to 55 percent of men.[4] Still another survey reported that 53 percent of affluent women are interested in "environmentally responsible" investments and 47 percent are interested in "socially responsible" investments, compared in each case to only 33 percent of men.[5] In its report, *Harnessing the Power of the Purse*, the Center for Talent Innovation

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KEY TAKEAWAYS

- Attitudinal differences between the sexes play out when it comes to money and investing.
- Women investors and financial advisors are more inclined than their male counterparts to want their investments aligned with certain social and environmental values.
- Studies have shown that companies with positive environmental, social and governance attributes are often better financial performers as well. Women investors and advisors are onto something.
- If financial advisors are going to serve this fast-growing market, they had better be attuned to the gender gap in investing.

[1] Center for American Women and Politics, Rutgers University, www.cawp.rutgers.edu.
[2] *2014 U.S. Trust Insights on Wealth and Worth, Key Findings*, survey conducted by independent research firm Phoenix Marketing International, February 2014.
[3] Adriana Reyneri, "Women Investors 'Go Green,'" March 8, 2012, Spectrum's Millionaire Corner, http://www.millionairecorner.com/article/women-investors-go-green.
[4] *Socially responsible investing: Strong interest, low awareness of investment options*, Teachers Insurance and Annuity Associations of America-College Retirement Equities Fund (TIAA-CREF), 2014.
[5] "Women Shun Energy Investments for Socially/Environmentally Responsible Funds," April 14, 2011, Spectrum's Millionaire Corner, http://www.millionairecorner.com/article/women-shun-energy-investments-sociallyenvironmentally-responsible-funds.

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found that 90 percent of women in a global survey said "making a positive impact on society is important." Of those interviewed, 77 percent of women want to invest in companies with diversity in leadership. In addition, the Center reported "significant discrepancies between men and women's desire to fund gender equality, diversity in leadership and the environment."[6]

This gender divide among investors appears to play out among investment advisors as well. Female advisors report to be more interested than their male counterparts in using sustainable investing funds or strategies—that is, those that integrate environmental, social and governance (ESG) factors into the investment process—by a margin of 59 percent to 34 percent.[7] In 2011-2012, the research firm Greenberg Quinlan Rosner conducted a survey for my company and similarly found that female advisors responded more favorably than male advisors to messages about sustainable investing, and that 53% of women advisors were likely to consider a sustainable investing or ESG fund after messaging.

Something's happening here. Women, it seems, are more inclined to want their investments aligned with their values while men are more likely to compartmentalize—investments in one compartment, moral and political values in another. Whereas men tend to view money as ethically neutral, women generally have stronger feelings about the social and environmental impacts of money. Indeed, they are more willing than men to accept a higher risk or lower return from investments in companies that have positive impacts on society.[8]

Fortunately, there's no need to accept either higher risk or a lower return. Studies have shown that companies with positive environmental, social and governance attributes are often better financial performers as well.[9] Women investors are onto something.

Moreover, this gender gap in investment attitudes is taking place at an historic juncture: women are becoming a major economic force worldwide. Forty five percent of American millionaires are women and by 2030 it is projected that roughly two-thirds of the nation's wealth will be in women's hands.[10] Women are the breadwinners or co-breadwinners in two-thirds of American households.[11] They own more than 40% of all U.S. businesses.[12] Of estates worth more than $5 million, women currently control more than 48%.[13] And on a global basis, they stand to inherit 70% of the $41 trillion in inter-generational wealth transfer expected over the next 40 years.[14] As *Newsweek* magazine put it, "women are the biggest emerging market in the history of the planet."[15]

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[6] *Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth,"* Sylvia Ann Hewlett and Andrea Turner Moffitt with Melinda Marshall, Center for Talent Innovation, 2014.

[7] *Gateways to Impact – Industry Survey of Financial Advisors on Sustainable and Impact Investing*, Calvert Foundation, et al, June 2012, www.gatewaystoimpact.org.

[8] *2014 U.S. Trust Insights on Wealth and Worth, Key Findings*, supra, note 2.

[9] See, e.g., Deutsche Bank Climate Change Advisors, "Sustainable Investing – Establishing Long-Term Value and Performance," 2012, https://www. dbadvisors.com/content/_media/Sustainable_Investing_2012.pdf; Robert G. Eccles, Ioannis Ioannu and George Serafeim, "The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance," Harvard Business School Working Paper 12-035, Nov. 2011 (Rev. May 2012).

[10] State Farm press release, January 27, 2012, http://www.statefarm.com/aboutus/_pressreleases/2011/january/27/american-college-state-farm-center-for-women.asp.

[11] "Women Will Rule the World," Jessica Bennett & Jesse Ellison, *Newsweek*, July 5, 2010.

[12] Melanne Verveer, "The Political and Economic Power of Women," July 15, 2011 ,Center for International Private Enterprise, www.cipe.org.

[13] The Allianz Women, Money, and Power Study, http://supportingadvancement.com/vendors/canadian_fundraiser/articles/womens_affluence.htm 4/27/2012.

[14] *Forbes, "Women and Philanthropy"* 8/18/2009, http://www.forbes.com/2009/08/18/brill-women-philanthropy-intelligent-investing-wealth.html.

[15] "Women Will Rule the World," Jessica Bennett & Jesse Ellison, supra, note 11.

If financial advisors are going to serve this fast-growing market, they had better be attuned to the gender gap in investing. Today, 70% of women fire their financial advisor within one year of being widowed.[16] Financial advisors who had been catering to the husband all those years simply may not understand the differing needs and attitudes of the wife. While the husband may have been focused on the highest possible return, his widow may prefer a more holistic investment approach. For women, investing can be about more than just money: it's about their families, it's about the future. Rather than simply chasing the highest returns, they may actually prefer to invest in a way that is consistent with their values and integrated with the rest of their lives.

Sustainable investing—integrating ESG factors into the investment process—is a rapidly growing part of the investment landscape. It accounts for about $3.3 trillion in assets under professional management in the U.S., or approximately 11 percent of investment dollars.[17] A lot of people—not just women—want their investments to have a positive impact on the world their children will inherit and are therefore opting to align their investments more closely with their values. Not incidentally, they are also concluding that companies with better environmental, social and governance practices are perhaps better positioned for long-term financial success as well. That is to say, they are embracing sustainable investing as not only the right thing to do but the smart thing to do.

Women are leading the way. This is an historic opportunity for the financial services industry—actually, both an opportunity and an obligation. If financial advisors are going to serve this growing market, then they will need to consider offering socially and environmentally sustainable investment options as a core component of their practice. It's as simple as that. Their clients—who increasingly will be women—are going to insist upon it.

16 "Women's Views of Wealth and the Planning Process: It's Values That Matter, Not Just Value," Kristan Wojner and Chuck Meek, 3/1/2011 http://www.advisorperspectives.com/newsletters11/pdfs/Womens_Views_of_Wealth_and_the_Planning_Process.pdf.

17 US SIF Foundation, 2012 Report on Sustainable and Responsible Investing Trends in the United States, www.ussif.org.

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