



Insured Retirement Institute

Women, Retirement and Advisors

*Concerned About Meeting Retirement Expectations,
Female Boomers Seek Expert Advice*

September 2011

About the Insured Retirement Institute: The Insured Retirement Institute (IRI) is a not-for-profit organization that for twenty years has been a mainstay of service, commitment and collaboration within the insured retirement industry. Today, IRI is considered to be the authoritative source of all things pertaining to annuities, insured retirement strategies and retirement planning. IRI proudly leads a national consumer education coalition of nearly twenty organizations and is the only association that represents the entire supply chain of insured retirement strategies: our members are the major insurers, asset managers, broker dealers and more than 75,000 financial professionals. IRI exists to vigorously promote consumer confidence in the value and viability of insured retirement strategies, bringing together the interests of the industry, financial advisors and consumers under one umbrella. IRI's mission is to: encourage industry adherence to highest ethical principles; promote better understanding of the insured retirement value proposition; develop and promote best practice standards to improve value delivery; and to advocate before public policy makers on critical issues affecting insured retirement strategies and the consumers that rely on their guarantees. Visit www.IRionline.org today to experience the vast resources of the Insured Retirement Institute for yourself.

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Overview

The need for retirement advice is strong and continues to grow. The Insured Retirement Institute estimates that 7,000 Americans per day will turn age 65 during 2011, beginning a Retirement Boom involving an estimated 79 million individuals between now and 2029. Of this number, 51% are women.

This report is a follow-up to *Women and Retirement: From Need to Opportunity—Engaging this Growing and Powerful Investor Segment*, published by IRI in January 2011. Among the key findings of the earlier report were that 95% of women contributed to the financial decision-making in their households, 50% feel they need assistance in some areas of managing their finances, and that 61% cite the qualitative factor of trust and respect most prominently when selecting a financial advisor.

In this report, we delve further into the retirement advice needs of female Boomers, with a focus on the demographic sub-segments within the market. We also examine how women interact with financial advisors, and the growing role of the women as advisors in the financial community.

Key Findings and Analysis

- Compared to their male counterparts, female Boomers are more concerned about meeting retirement expectations.
 - Women are less confident that they will have enough money to live comfortably throughout retirement (34% of women, versus 41% of men).
 - Nearly one-half of women (48%) state that they are not knowledgeable about investing in securities, compared to 40% of men who gave the same response.
- Marital status is a significant factor in the need for retirement income advice in the women's market.
 - 44% of married women believe they are doing a good job of preparing financially for their retirement years, compared to 23% of unmarried women.
 - 60% of married women have tried to determine the amount of money they will need to save for retirement, versus 41% of unmarried women.
 - 53% of married women have contacted a financial planner for retirement income advice, compared to 32% of unmarried women.
- Guaranteed income is the most important trait Boomer women are looking for in a retirement investment, followed by rate of return and principal protection.
- When selecting a financial advisor, women emphasize both knowledge and the human touch.
 - 71% of women value professional designations earned by the advisor.
 - 64% of women give strong credence to recommendations from family or friends.
- Within the financial industry, women represent 60% of accountants and auditors, 31% of personal financial advisors, and 23% of Certified Financial Planners.

Women's Market Overview

We know from previous research that women comprise a significant portion of the market for financial services. According to a study from The Boston Consulting Group, women controlled 27% of investable assets globally in 2009 (33% in the U.S. and Canada), a level that is projected to grow 8% over the next five years. Data from the U.S. Census Bureau and U.S. Bureau of Labor Statistics, and Internal Revenue Service indicate that 51% of working women are employed in management or professional occupations, 23% are chief executives, and 26% earn more than their husbands. Further, according to the IRS, half of all individuals with at least \$500,000 in investable assets are women.

Yet, who is the female investor? On a macro level, there are few differences between the genders with regard to planning for retirement. For example, approximately two-thirds of both men and women contributed to retirement accounts in the past year, and slightly more than half have attempted to calculate the amount of money they will need to save towards retirement. There are also strong similarities in the ages at which they plan to retire (65-69 being the most popular among those who have given it some thought), the traits they value most in a retirement income product (guaranteed income, rate of return, principal protection), and their intentions to leave bequests.

Two areas in which retirement preparedness varies between men and women are confidence in retirement expectations, and a self-assessment of investment knowledge. Starting with the latter, nearly one-half of women claim they are not knowledgeable about investing in securities, compared to 40% of men who gave the same response. Women are also less confident that they will have enough money to live comfortably throughout retirement (34% of women, versus 41% of men).

Boomers' Retirement Preparedness, Males vs. Females

	Male	Female
Confidence in Retirement Expectations		
Extremely or very confident that they are doing a good job of preparing financially for retirement	48%	40%
Extremely or very confident that they will have enough money to live comfortably throughout retirement	41%	34%
Extremely or very confident that they will have enough money to take care of medical expenses during retirement	38%	36%
Extremely or very confident that they will have enough money to pay for long-term care	26%	21%
Retirement Saving and Planning		
Added to retirement savings in past 12 months	69%	65%
Tried to figure out how much money they need to save for retirement	53%	55%
Anticipated Retirement Age		
50-59	4%	5%
60-64	14%	14%
65-69	27%	24%
70 or older	16%	17%
Don't know	38%	41%
Most Important Traits of Retirement Investment		
Guaranteed income each month	19%	17%
Rate of return	17%	16%
Investment will not lose principal	16%	15%
Recommended by my financial advisor	12%	16%
Past performance of the investment	15%	9%
Investment Knowledge Self-Assessment		
Extremely or very knowledgeable about investing in securities	21%	15%
Somewhat knowledgeable about investing in securities	39%	37%
Not knowledgeable about investing in securities	40%	48%
Estate Planning		
Leaving an inheritance is very important	27%	23%
Leaving an inheritance is somewhat important	35%	40%

Source: Insured Retirement Institute

There are also few differences in how Boomers of each gender interact with advisors. A slightly higher percentage of female Boomers have contacted an advisor for retirement planning (47% compared to 42% for males). Women are also less likely than men to eschew financial planners in favor of doing planning on their own (15% versus 21%). As we will see later in the report,

differences in how female Boomers approach the advisor relationship are reflected more in qualitative factors, such as trust and respect.

Boomers' Interactions with Advisors, Males vs. Females

	Male	Female
Planner Consultation		
Have consulted a financial planner for retirement	42%	47%
Top Reasons for Using a Financial Planner		
For help and advice	18%	19%
Make sure I'm on the right track	13%	17%
They know more than I do	18%	16%
Top Reasons for Not Using a Financial Planner		
I don't need to	19%	20%
I don't know / I just haven't	16%	16%
I can do it myself	21%	15%
Length of Time with Current Financial Planner		
Less than one year	16%	11%
1 to 5 years	21%	29%
5 to 10 years	24%	23%
More than ten years	38%	35%

Source: Insured Retirement Institute

More notably, it is imperative to recognize that the women's market is not homogeneous. As we will explore in the following section, several sub-segments of the women's market are less prepared—and less addressed—than others.

Demographic Segments of the Women's Market

The women's market is comprised of many sub-segments that have an impact on how to prepare for retirement. In general, the female Boomers who are most in need of retirement planning advice are those who are not married, as well as those from middle-income households. Year of birth also plays a role, but to a lesser extent. Even so, it is evident that there is an untapped need among women in most sub-segments.

Marital Status

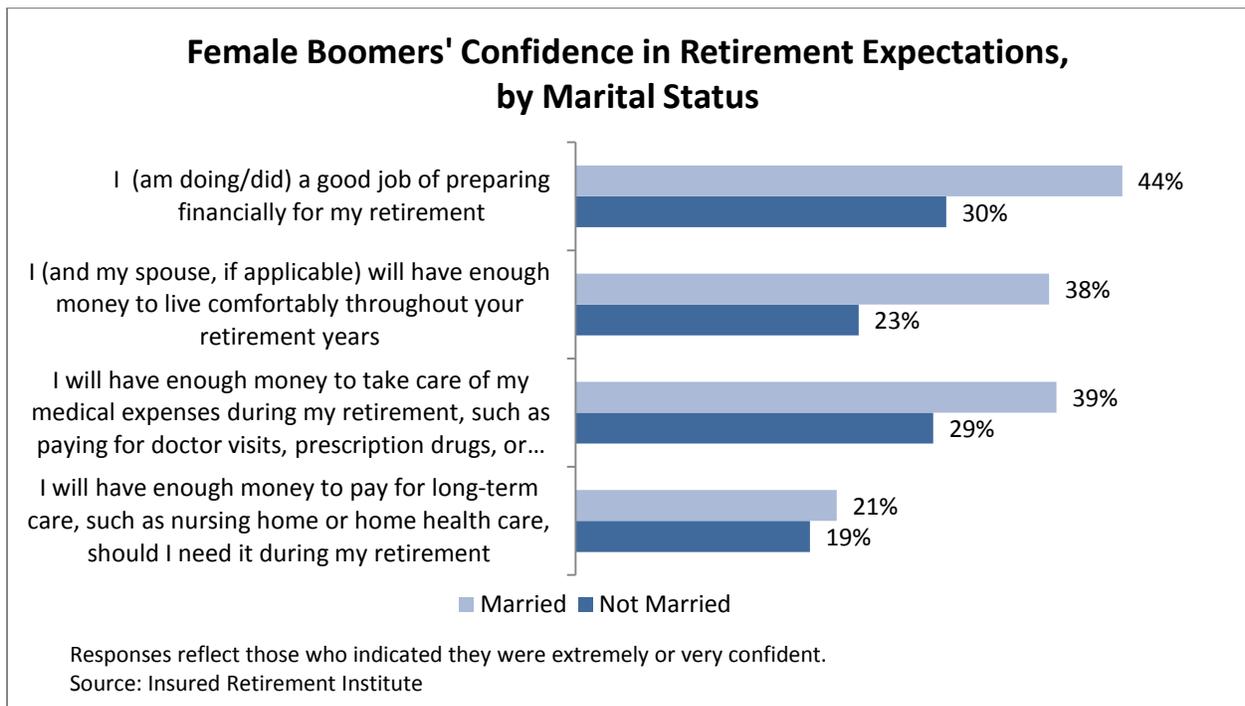
IRI research has found that marital status is a significant factor in the need for retirement income advice in the women's market. Specifically, women who are not married have far lower confidence in retirement expectations, investment knowledge, and overall retirement preparedness than those who are married.

This market segment is sizeable. According to the U.S. Census Bureau, 50% of women are currently married, and 27% never married. Nearly 14% of women are either divorced or separated, while 9% are widowed. Among Boomers, 65% are currently married, 9% never married, 20% are divorced or separated, and 5% are widowed. The income gap between the genders further exacerbates the need for retirement guidance.

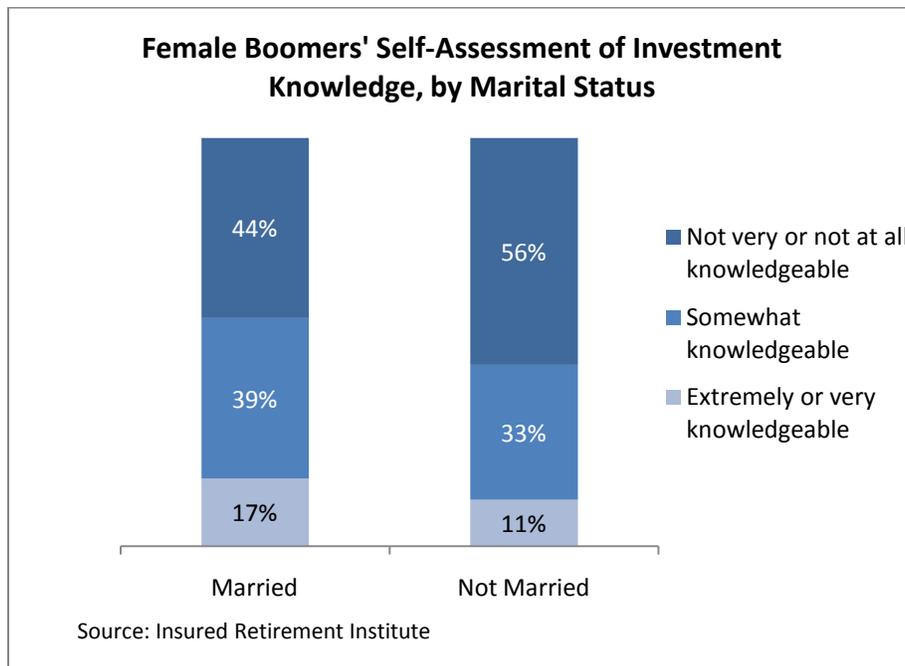
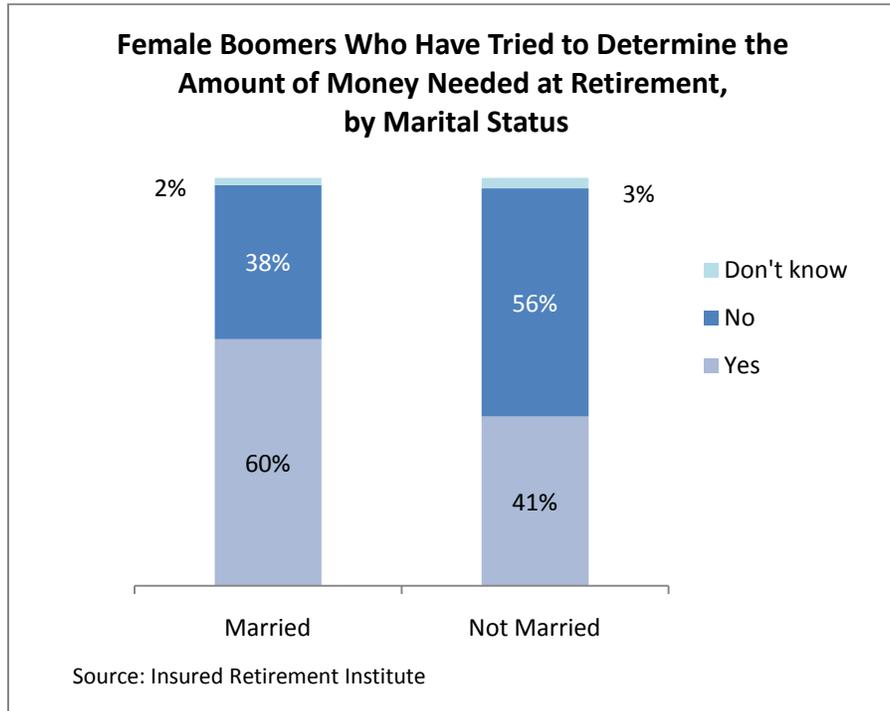
A key concern of retirement income planning for those who have never married is that, just as there was one income during the working years, there will be no backup source of Social Security. Interestingly, 39% of married women expect Social Security to be a major source of retirement income, while 49% of those who had never married expect to rely heavily on Social Security. (Social Security is also considered a major income source by 56% of women who are divorced or widowed.)

Even so, unmarried women are greatly concerned about their retirement income preparations. (For purposes of this report, the “unmarried” group includes Boomers who are divorced, separated, widowed, or never married, as a more granular breakout would yield insignificant sample sizes.) Only one in three believe they have planned well for their retirement, in general, and less than one-quarter believe they will be able to live comfortably during retirement. These figures are considerably lower than those of married female Boomers (44% and 38%, respectively).

Paying for long-term care is of concern to an equal proportion of women Boomers, regardless of marital status.



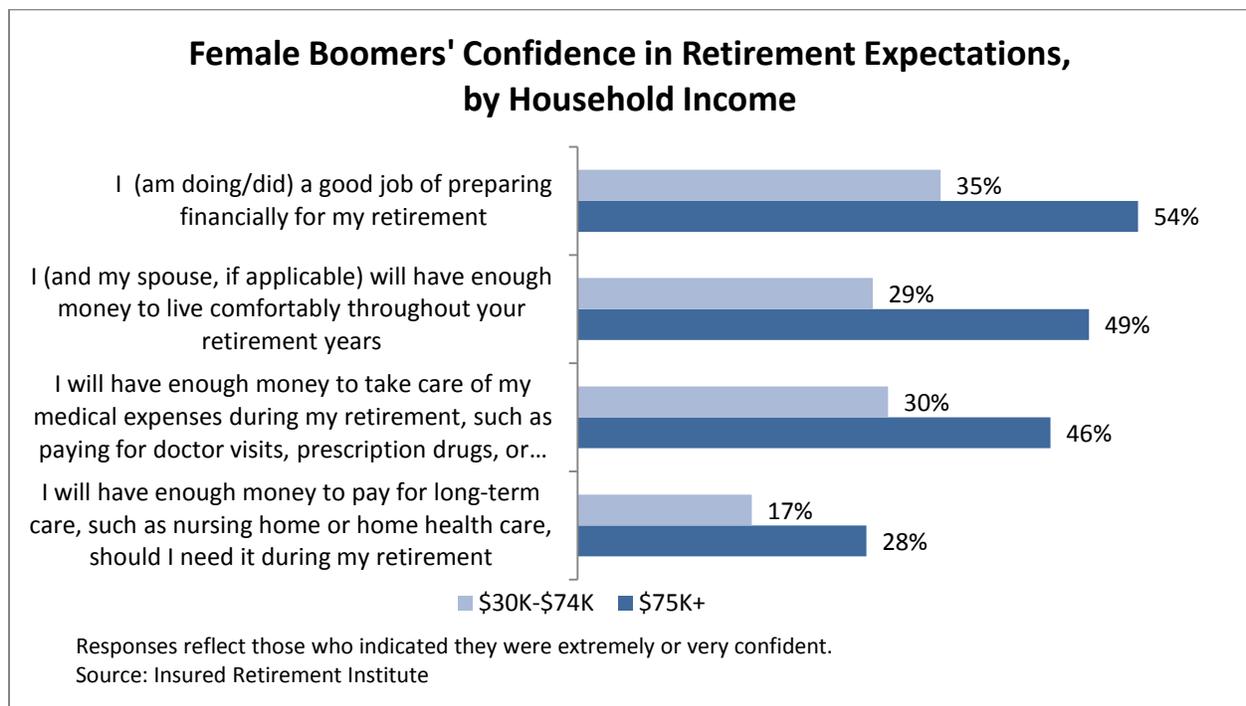
The population that is least confident about their finances in retirement has, not surprisingly, also done little to prepare. Only 41% of unmarried female Boomers have ever attempted to determine the amount of money they will need to save for retirement—an important first step in planning for retirement. This compares to 60% of married females, itself a low number. Additionally, 56% of unmarried female Boomers grade themselves as having little to no knowledge of investing in securities.



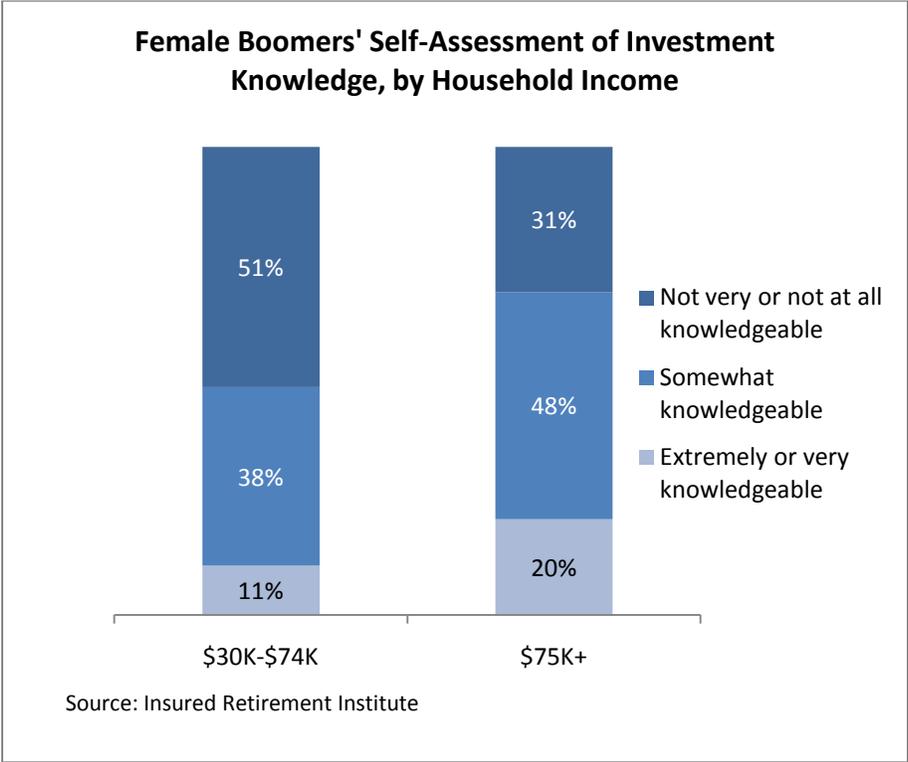
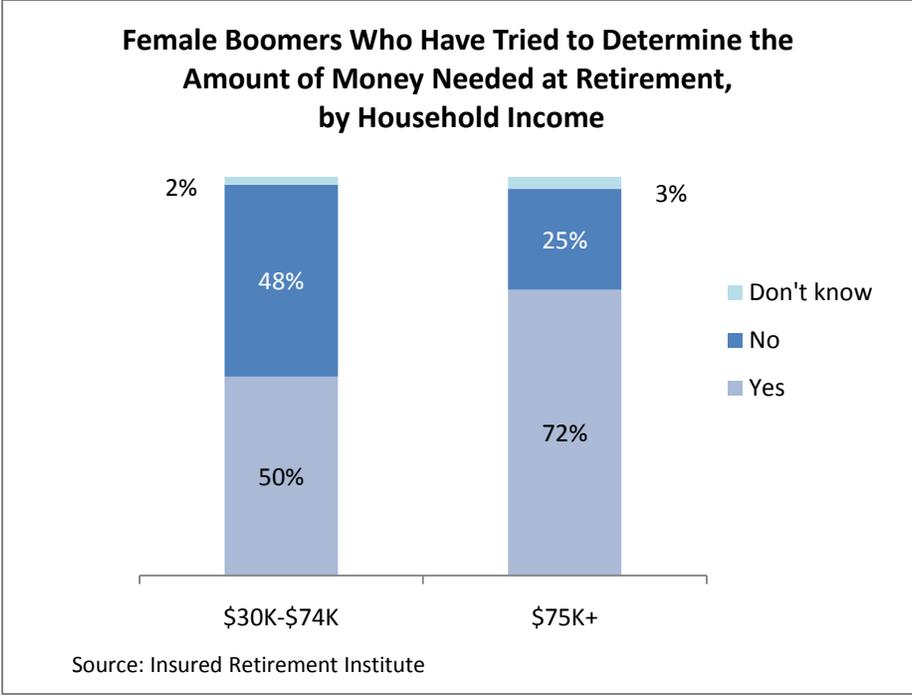
Even so, unmarried female Boomers are fairly certain of what they need in a retirement investment—guaranteed income, decent rate of return, and principal protection—same as their married counterparts. The key issue, therefore, is empowering them to take the first steps to reach these goals. As we will detail later in this report, most single Boomers have not consulted a financial advisor for guidance in retirement planning. Yet, the need for retirement advice clearly exists.

Income

Household income is a contributing factor to retirement readiness among female Boomers, yet generally doesn't stray far from trends seen in the general population. As noted in the IRI report *Middle-Income Boomers and Retirement*, 40% of middle-income households (defined as those earning between \$30,000 and \$74,999 per year) are confident about their retirement planning efforts to date. The corresponding figure when isolating female Boomers is only slightly lower, at 35%. Similar patterns are seen in expected ability to cover medical and long-term care expenses, attempts to calculate retirement savings needs, and overall investment knowledge.



The key area in which female Boomers' confidence is notably different from that of the Boomer population is with respect to having enough money to live comfortably during retirement. Only 29% of female, middle-income Boomers are extremely or very confident in meeting this need, compared to 35% of all middle-income Boomers. The corresponding figures for higher-income Boomers were the same (approximately 50%) for females as males.

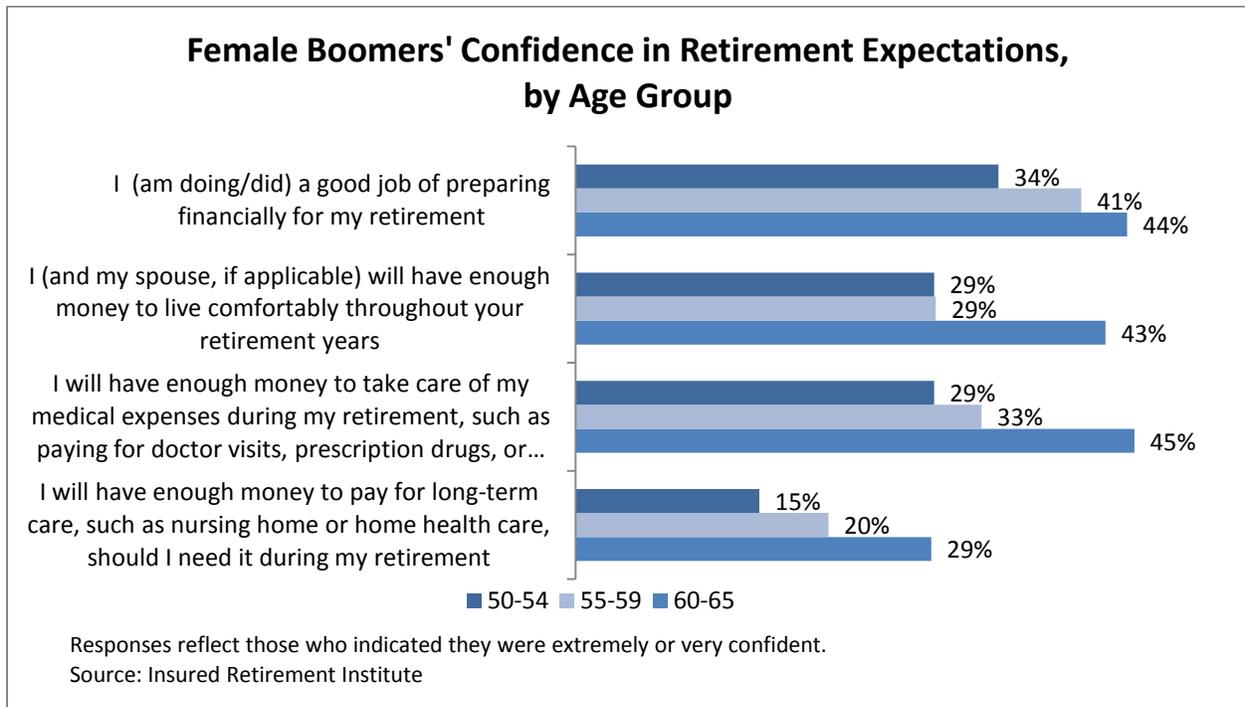


Just as we concluded in our report on the middle-income market, serving the middle-income female market also presents a dual challenge. First, middle-income investors need to be convinced that professional guidance will be beneficial. Second, advisors need to be convinced that the middle-

income market is worth pursuing. The key types of advice needed in this market—how to invest, how to protect loved ones, how to integrate Social Security with other sources of retirement income, and how to invest inheritances—are magnified somewhat in the women’s market given differences in life expectancy.

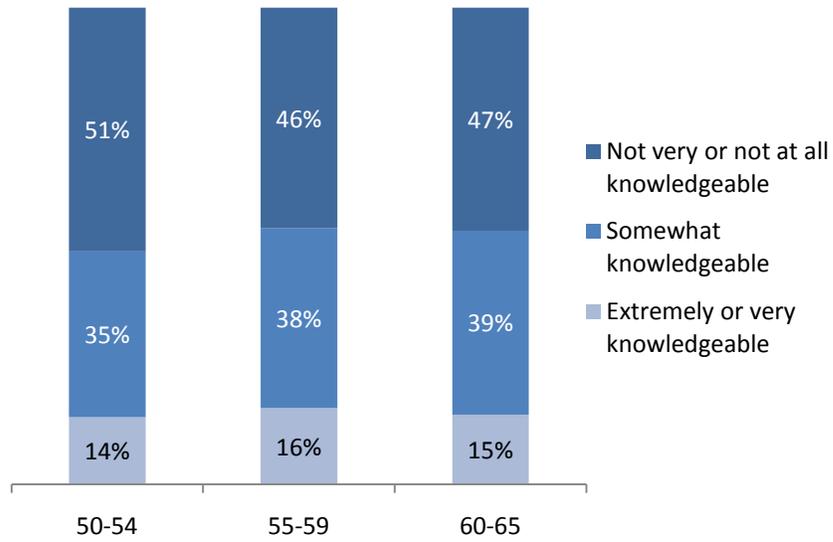
Age Group

Retirement preparedness among female Boomers also follows expected age patterns. Typically, the closer to retirement, the more confident one is in meeting retirement needs. Yet, just as in the general population, these figures are low. Less than half (44%) of female Boomers with annual household income of at least \$75,000 believe they have done a good job of preparing financially for retirement, compared to 49% of all Boomers in this income segment.



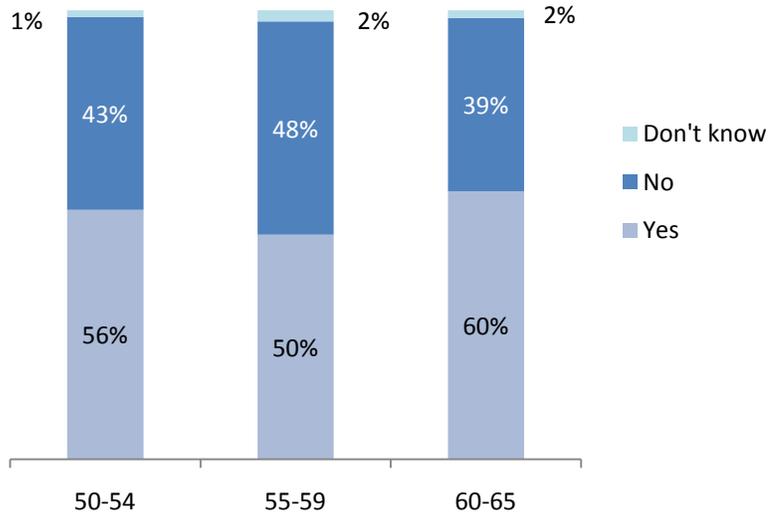
There were also strong similarities in investment knowledge (approximately one-half of female Boomers across age groups identified themselves of having little to no investment knowledge) and attempts to calculate retirement savings needs (between 50% and 60% have done so).

Female Boomers' Self-Assessment of Investment Knowledge, by Age Group



Source: Insured Retirement Institute

Female Boomers Who Have Tried to Determine the Amount of Money Needed at Retirement, by Age Group



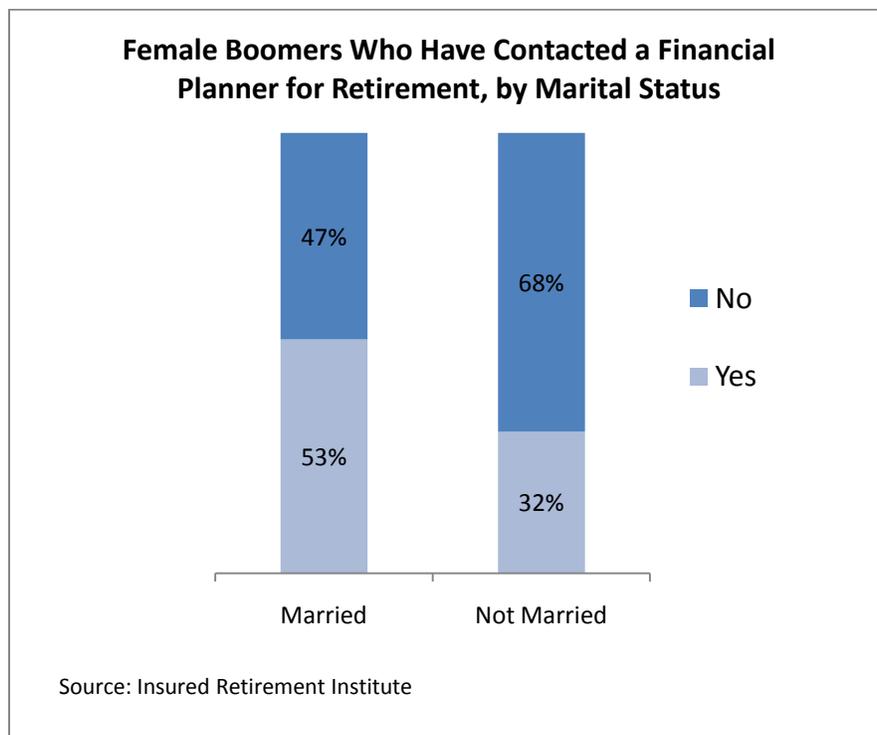
Source: Insured Retirement Institute

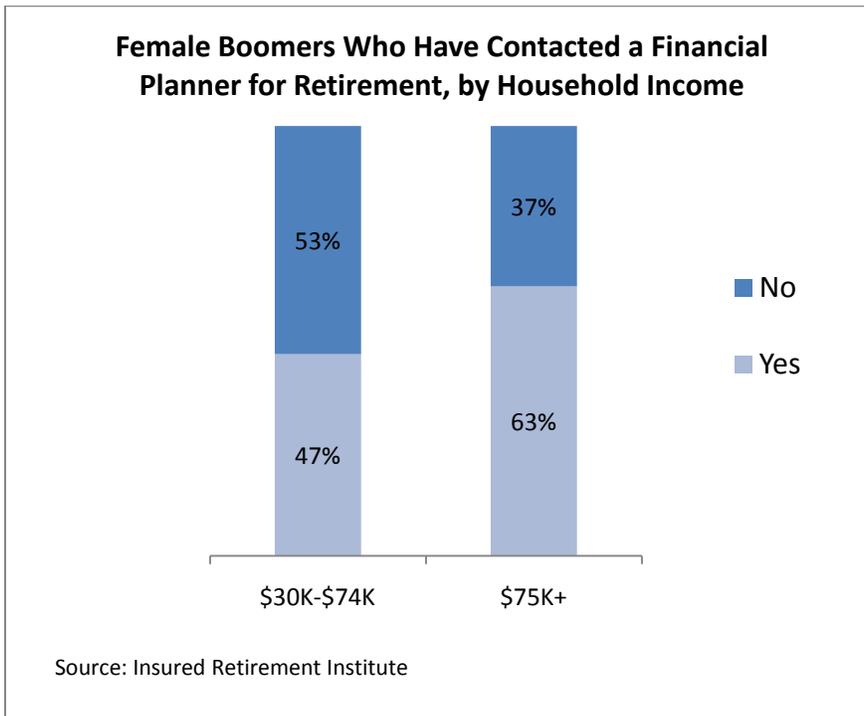
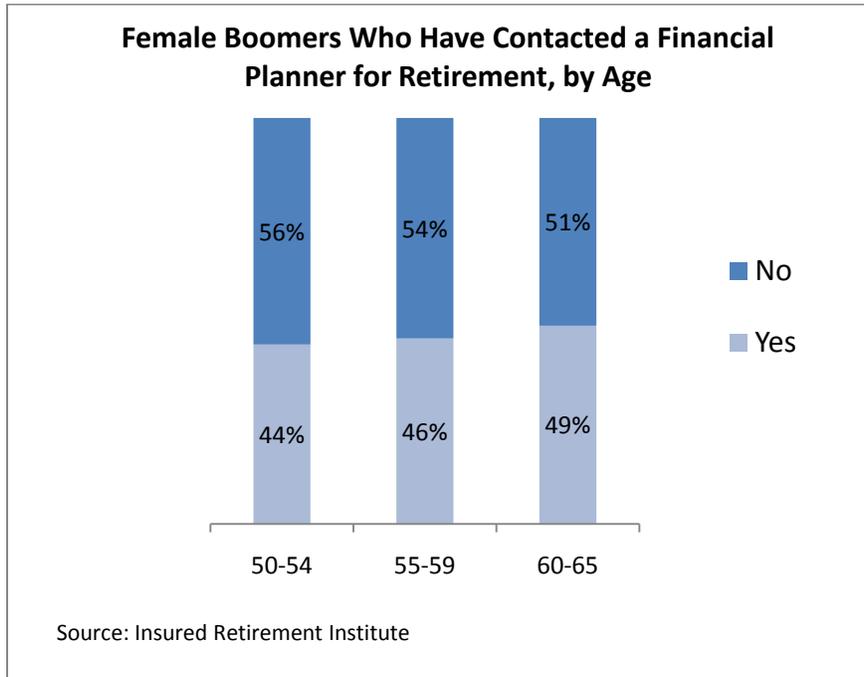
Still, there is an overriding concern when these results are taken in concert with segmentation by marital status. It is well-known that women have, on average, greater longevity than men—the Society of Actuaries estimates this as three to four years. As we noted earlier, unmarried women, which includes those who have been widowed—are far less prepared for retirement than married women. And, the concern grows with age. According to the U.S. Census (2010 data), 4% of women between ages 50-54 are widowed, as are 8% between ages 55-64. This jumps to a staggering 39% of females who are age 65 or older—contrasting sharply with 13% of men in the same age group.

Women and Advisors

As is the case with retirement planning in general, differences between the genders with regard to interacting with advisors is largely correlated to the Boomer's marital status. Slightly more than half of married women have contacted an advisor for retirement income advice, presumably with their husbands, although keeping in mind that 95% of married women are involved in the financial decision-making in their households. However, only one-third of unmarried Boomer women have met with an advisor.

Segmenting by age shows little difference between groups (roughly a 50/50 mix), while segmenting by household income is more notable (47% of middle-income, 63% of higher-income). Both segmentations are consistent with trends for the full population.





There was also little difference between all women’s market sub-segments with regard to the main reasons for using a financial advisor. Yet, the key differentiators of the women’s market are the qualitative traits they value in an advisor.

IRI research conducted earlier this year concluded that successfully serving the women's retirement market requires both an understanding of women's concerns about the finances of retirement, and how they prefer to work with a financial advisor. Citing the MetLife Mature Market Institute, the top three factors considered by women in selecting a financial advisor are a feeling of trust and respect (61%), advisors' fees or costs (54%), and a focus on the client's goals (50%). Additionally, three-quarters of women have face-to-face meetings with advisors before selecting the one with whom they ultimately work.

A 2011 study from the Spectrum Group echoes these findings. Compared to men, women put greater emphasis on an advisor's competence (such as professional designations earned, 71%), recommendations from family or friends (64%). Interestingly, recommendations from clients that they do not know (presumably from available reports) are of equal importance to males and females, rated as important by approximately one-third of each. Thus, the human touch, as well as knowledge, are key criteria for women when they select an advisor. This is key as providing retirement advice is time-consuming, requires the coordination of many accounts from various sources, and is a long-term process.

The value of the role of financial advisors in retirement income planning is high. In the IRI report *Boomers and Retirement 2011*, it was shown that Boomers who use financial planners are significantly more confident than those who don't use planners about the financial aspects of their own retirements—and by a wide margin.

- 90% of Boomers who use planners believe they are doing a good job of preparing financially for retirement, compared to 63% of those who do not use planners.
- More than 80% of those who have consulted a planner are optimistic about having enough money on which to live comfortably throughout retirement, compared to 65% of those who do not use planners.
- Two-thirds of Boomers who use planners are confident about covering their eventual long-term care expenses, compared to 44% of those who do not use planners.

Although the above figures refer to Boomers of both genders, these statistics clearly exemplify the importance of advisors in the retirement planning process, especially as the overall goals are similar for male and female Boomers at a high level.

Women Advisors

Although women represent a minority of financial advisors and planners, their credentials are just as impressive. According to the Bureau of Labor Statistics (2010), women represented 60% of accountants and auditors and 31% of personal financial advisors, up slightly since 2000. Data from the Financial Planning Association notes that 23% of Certified Financial Planners, and 28% of the Associations membership, are women.

A 2008 study from Cogent Research found that the average assets under management (AUM) of female advisors were \$39.4 million, compared to \$65.8 million for male advisors. When considering

only those advisors who manage less than \$500 million (representing 98% of advisors), the difference between the AUM of male and female advisors decreased from \$26 million to just \$7 million. While this tells us that a gap still remains in the uppermost echelon, it also indicates that, on average, female advisors manage nearly as much as their male counterparts. This is a positive attribute in today's market, particularly for the underserved middle-income investors as well as for single women.

Conclusion

The women's market is significant, and is also untapped. Half of working women are employed in management or professional occupations and 26% of married women out-earn their husbands, yet only one-third are confident that they will have sufficient income in retirement.

It is also imperative to recognize that the women's market is not homogeneous. In general, the female Boomers who are most in need of financial guidance are those who are not married—which includes those who are divorced, widowed, or never married. Compared to married female Boomers, they have considerably less confidence in having income that will sustain them throughout retirement, do not have confidence in their investment acumen, and are less likely to have consulted a financial advisor. Therefore, this is a group to whom financial advisors will need to develop ways to reach. Interestingly, many unmarried women Boomers expect to rely on Social Security as a major source of retirement income. This could be a starting point for advisors, who can help them integrate Social Security with other sources of income, such as retirement plans, annuities, and inheritances.

Methodology

The data in this report is derived from both proprietary and secondary sources. The Insured Retirement Institute (IRI) commissioned Woelfel Research, Inc. to conduct a survey of individuals approaching retirement or who have recently retired. The research was conducted by means of telephone interviews with 801 adult Americans aged 50-65. The sample was selected from a list of households in this age group, developed by Accudata, Inc. by compiling data from available sources such as motor vehicle records. Results were weighted by age and gender to the 2005-2009 American Community Survey population from the United States Census Bureau. Data was collected from February 18-22, 2011, and analyzed and cross-referenced by IRI in March through July 2011. The margin of error for the sample of 801 was $\pm 3.5\%$.

Supporting data was derived from the **2011 IRI Fact Book**, publicly available research from financial services companies (including the Boston Consulting Group, Spectrum Group, MetLife Mature Market Institute, and WISER) and various government sources (including the U.S. Census Bureau, Survey of Consumer Finance, and Internal Revenue Service).