Women & wealth transfer

The influence of women on building the family legacy

Women play a critical role in managing and transferring family wealth

84%

of women have full or joint responsibility for overseeing the family investment portfolio

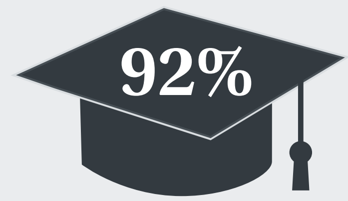
WOMEN DELEGATE MORE

1 in 3 choose to manage their own investments to build their knowledge, compared to 1 in 2 men

ONLY 22%

have a full wealth transfer plan in place, compared to **30%** of men

86% have pursued some independent learning on wealth and money



of women have started or intend to start arming their children with an education in wealth and money

41% of mothers are confident in their children's ability to manage an inheritance

36%

of women who have inherited wealth received no guidance at all

55% rely on knowledgeable individuals to learn more about wealth

RBC Wealth Management

Women play a key decision-making role in managing family finances. So how do they approach building, preserving and transferring wealth? Working with Scorpio Partnership, we undertook an extensive study of wealth transfer and published our research in the Wealth Transfer Report 2017. As part of our continuing series, we examine four key groups: women, business owners, millennials and families. This report takes an in-depth look at 1,752 high net worth females, worth US$4.4 million on average, across Canada, the United Kingdom and the United States. It summarizes how women build their financial knowledge, manage their inheritance, prepare their financial affairs, and transfer their wealth to the next generation.

Learning from experience

"I believe that formal education is better than hearing lots of opinions from your mother. If I try to direct my children too much, they think I'm nagging them. Nowadays, it's so important to ensure that children are financially aware. The earlier they know how to plan and save, the better. Receiving formal financial guidance through a proper training program would give them a better sense of it all."

Stephanie, a company director in her 50s and a divorced mother of three, believes that structured training programs are a better way to provide her teenaged children with an education in wealth, though her own education was far less organized. She's not alone: in fact, 86% of the high net worth women we surveyed have pursued at least one form of independent learning to improve their wealth knowledge.

The majority of our female respondents acquired their financial knowledge independently—on their own, throughout their working lives, through their peer networks, or through lessons learned from others. Stephanie, for example, acquired her financial knowledge by herself, over a long and varied career in finance. Despite being capable and confident in her financial knowledge, she wants her children to learn about money matters through more formal means, such as financial literacy programs offered by advisors, and meetings with private bankers or financial planners.

Our research highlights the powerful impact women are having on family wealth and the transfer of wealth to the next generation. We confirmed that women play a critical decision-making role in family financial management, and are instrumental in deciding how to educate the next generation on money matters. Like Stephanie, they are capable, collaborative, results-oriented and well-informed. Most of their financial learning has been self-directed—and that's an educational approach that women plan to improve upon for the next generation.

A collaborative path to learning

Women are powerful brokers in household financial management, particularly in households with investable assets exceeding US$4 million. Notably, 98% of them report that they are either sole or joint decision-makers on daily banking, and 84% are fully or partially responsible for the family investment portfolio. Much of the responsibility for managing and preserving family wealth clearly rests with women.

How women build their financial knowledge

55% seek knowledgeable individuals
COMPARED TO 47% OF MEN

50% conduct their own research
COMPARED TO 64% OF MEN

36% manage their own investments
COMPARED TO 49% OF MEN

27% read the financial press
COMPARED TO 42% OF MEN

* For comparative data, please see Figure 1 in Appendix, p. 7

Stephanie is a company director in her 50s and a divorced mother of three:

“Nowadays, it’s so important to ensure that children are financially aware. The earlier they know how to plan and save, the better.”

Yet women and men opt for very different strategies when building their financial knowledge. Women focus on core responsibilities: nearly 30% say that a general understanding of financial matters is sufficient, and that knowing the specifics isn’t necessary—compared with 21% of men. Women are comfortable with being generalists on financial topics, rather than diving into details, and they tend to employ a consultative approach to building financial acumen.

Women draw on their network to improve their financial knowledge and inform their decision-making. More than half of female respondents, or 55%, turn to knowledgeable individuals to advance their understanding of wealth and money, making it women’s preferred method of learning [Figure 1, p.7]. They tend to leverage a broad range of perspectives and expertise to expand their financial knowledge. Among male respondents, 47% turn to outsiders for input, but it’s among their less favored options.

After seeking knowledge from others, the second most preferred method of building financial literacy is independent research, with 50% of female respondents citing this as a key activity. By contrast, “conducting my own research” is the preferred approach among males, at 64%. While women share the self-sufficient attitude so prevalent in men, they also seem to be more balanced in their approach, with less divergence among the different paths to acquiring financial knowledge.

Isabella is an entrepreneur who has created her own wealth, yet she recognizes the value of a more structured approach. “I have always worked in finance, so I picked up my knowledge of wealth matters by myself. But I don’t think I’ve spent enough time educating myself. I tend to make quick decisions, which perhaps require more of an educated response.”

Aside from the fact that women lean toward consultation while men prefer autonomy, there are few real differences in their paths to learning. Both women and men begin their structured financial learning—defined as lessons from family members, instruction from professional advisors, or learning from financial literacy programs—at age 27. Both are primarily taught about wealth through general discussions with various people, from family members to professionals, though a majority of female respondents say that family conversations are a key source of learning.

Some women carve out time to manage their own investments or read the financial press, but to a lesser extent than men. About one in three, or 36%, is a self-directed investor, despite having an active role in household wealth management. In contrast, one in two male respondents, or 49%, choose to manage their own investments to improve their financial knowledge. Female respondents seem to prioritize their time differently, and are more receptive to strategic delegation to professionals.

Seeking support during inheritance

The women we surveyed are highly likely to receive a transfer of wealth at some point in their lives.[1] Across our sample of high net worth women, 57% have already

[1] Our study focuses on linear transfers, in which wealth is passed down from the older generation of parents, grandparents or elder family members, to the younger generation. The research does not explore multi-dimensional transfers of wealth between spouses, children or siblings.

received an inheritance, and a majority of those who have not inherited expect to do so in the future. Yet the inheritance experience is often lonely and confusing.

Our research reveals that, regardless of gender, inheritors are generally unprepared, uninformed and unsupported—findings we explore in depth in our Wealth Transfer Report. Three-quarters of overall respondents, both men and women, who had advance conversations with their benefactors knew the monetary value of the assets before they inherited. However, they knew little about what their benefactors wanted them to do with the assets, the structures used to transfer assets, or the advisors who would assist in the process.

What types of preparation would women have most valued when inheriting?

1	Knowing the value of the inheritance
2	Some education on investing
3	Knowing how benefactors would like me to use the assets
4	Some education on budgeting and financial management
5	Knowing which structures would be used to transfer assets
6	Knowing how these structures work
7	Introductions to individuals who manage the wealth transfer
8	Some education on broader aspects of wealth

* For comparative data, please see Figure 2 in Appendix, p. 7

We found that female inheritors are slightly less likely to receive information about their inheritance than men. When inheriting, women expect a blend of personal support from family members and professional guidance from lawyers and accountants, yet 36% of female inheritors received no guidance at all, and those who did tended to get solely family support. Only 29% of women surveyed had guidance from their benefactors about how to use the assets, compared with 37% of males—even though 19% of female respondents who expect to inherit believe this to be a critical part of their preparation. A similar proportion, 21%, believe that some education on investing would be the most valuable form of guidance [Figure 2, p.7].

Upon receiving an inheritance, female respondents often face a new challenge: determining how to best incorporate the inherited assets into their overall wealth and retirement planning. Stephanie, the company director, faced this question when her mother passed away and she felt uncertain about having sufficient funds to meet her retirement needs.

"My sister and I received her house, which we sold, and split the proceeds between us. I had a general idea about what I wanted to do with it—mainly to amalgamate it with my savings. My biggest concern about inheriting was saving appropriately, so that I would have enough to retire on comfortably. I want to ensure that, upon retirement, I will have the cash available to do what I like."

Women are aware of the need to plan ahead and think about their financial future. With a longer average life expectancy than men, they are concerned about having enough to fund retirement: 57% of women surveyed intend to pass on their wealth only upon death or illness. Of those, more than one-quarter, or 27%, say the reason is that they don't feel they have enough to give away gradually while living, and 31% feel they need their wealth to fund their lifestyle.

As Stephanie points out, much depends on the unique combination of a woman's finances and her family situation: "Inheritance planning really depends on the amount. If you have millions, you don't have to worry

Beth is the founder of a company specializing in financial and human resource education for families:

"Families that start teaching their children between the ages of five and nine can succeed if they continuously repeat their financial values. By the time they're 10, you want to start teaching them the actual skills of sharing, saving and philanthropy—and soon, it starts to feel natural."

too much about having enough to sustain yourself in retirement. If you have less, and have three children among whom you would like to split your money evenly, it becomes a little more worrying to know if you will have enough to live comfortably yourself. It's about getting the right balance."

It seems that uncertainty around having sufficient funds for retirement is, in part, preventing some women from initiating their own wealth transfer plans. Moreover, women tend to defer the type of comprehensive wealth planning that could help alleviate their worries. While only 26% of all respondents are fully prepared to transfer their wealth, women lag behind slightly: 22% of women surveyed have a full wealth transfer plan in place, compared with 30% of men. And more than one-third of female respondents admit to having done nothing yet to prepare.

Accelerating next-generation learning

Many women are taking action and channeling their energies into a constructive strategy for the next generation. As key decision-makers on their children's education, it is largely within their control to cultivate the family philosophy of wealth. Drawing on their own experiences, women seem to recognize that the best education starts early and blends self-directed learning with more structured financial education, such as regular meetings with advisors, training through involvement in the family business, or financial literacy programs.

Women seem determined to fast track their children to full financial confidence: 92% of women surveyed have started, or intend to start, educating the next generation on wealth matters. This is consistent with our finding that women believe financial education should begin early in life. Women plan to start educating the next generation at an earlier age than men. Across all categories—day-to-day budgeting, investment strategy and wealth transfer—women think their children should start learning two years earlier, on average, than men [Figure 3, p.8].

Women hold a highly practical view, recognizing that having financial knowledge and taking steps to improve it is important to everyday life. In the case of budgeting—which a majority of female respondents consider the most important topic—they believe this learning should begin in the late teens, typically before children embark on post-secondary education. In planning the financial education

At what age do women think children should start to learn how to manage family wealth?

17 YRS start to learn about **budgeting**

20 YRS start to learn about **investing**

24 YRS start to learn about **wealth transfer**

* For comparative data, please see Figure 3 in Appendix, p. 8

of her children, Charlotte, a 55-year-old executive and mother, has deliberately chosen to introduce her children to financial concepts in phases.

"I am taking steps to educate my children on wealth matters. Before they began university, I had started explaining the main concepts to them, but I didn't think it was appropriate to fully discuss inheritance plans and strategies. Since they've graduated, we have continued these discussions, and they have also spoken to our financial advisors."

Beth, a 50-plus head and founder of a company specializing in financial and human resource education for families, believes that people should begin introducing finance fundamentals at a much earlier age. In her view, this education should begin at home and be underpinned by lessons about a family's financial values.

"The most effective way to teach children is to start early and focus on values and vocabulary, like saving, gratification and good choices. Families that start teaching their children between the ages of five and nine can succeed if they continuously repeat their financial values. By the time they're 10, you want to start teaching them the actual skills of sharing, saving and philanthropy—and soon, it starts to feel natural."

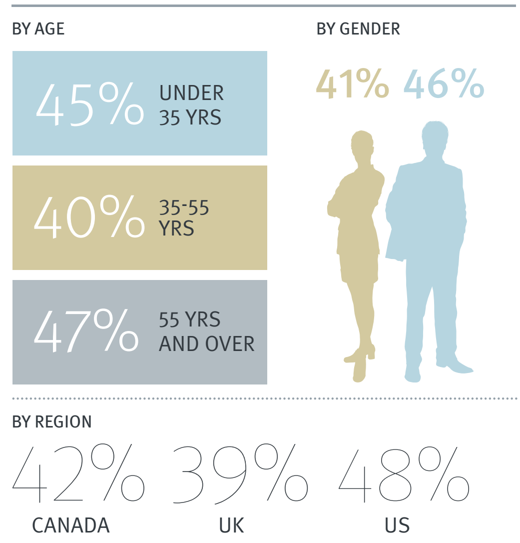
Our research shows that women, who are well-versed in wealth matters and focused on the long-term financial health of their families, are both empowered and empowering. They have good intentions to start educating the next generation early with a blend of structured and unstructured learning, and they are actively instilling good financial values in their children, arming them with the mindset for financial success.

The next generation grows in confidence

Our findings show that the proactive approach women take to educating the next generation is working, although not all high net worth parents are convinced. Fewer than half of all survey respondents, or 44%, are confident in their heirs' abilities to grow their wealth, with slightly fewer women expressing confidence than men: 41% of female respondents and 46% of male respondents believe their inheritors would succeed in growing family wealth if they were to inherit it tomorrow [Figure 4, p.8]. More than a third of respondents are neutral, and one in five is not at all confident in the next generation's ability to manage wealth.

Confidence levels vary

How confident are you that your children could grow your wealth? Here's what respondents said



* For comparative data, please see Figure 4 in Appendix, p. 8

This relative lack of confidence in the next generation, however, is not shared by the generation in question. Both female and male respondents under 35 seem to be growing in confidence and financial sophistication. More importantly, millennial women in particular are benefiting from their mothers' efforts. Our research shows that more than half of female millennials describe themselves as confident: 51% of under-35 women surveyed give themselves a rating of 7 or higher, meaning they are confident in their wealth knowledge.

Christine, a consultant with two daughters in their 20s, believes that teaching good values has helped them grow up with the right mindset for confident and capable wealth management. "Generally, I think I instilled in them good values on financial matters. I've always taught my kids not to spend beyond their means, and to prioritize things

Christine is a consultant with two daughters in their 20s:

"I've always taught my kids not to spend beyond their means, and to prioritize things that will create a good long-term return—like further education—over frivolous spending."

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The early results show that women are already benefiting from their mothers' proactive attitude, which advocates starting earlier and blending informal learning with a more structured approach. Female and male respondents under age 35 give equal weight to a variety of wealth topics, effectively closing the gap between the financial issues that women and men prioritize.

Previously, women were much more focused on day-to-day budgeting, rather than more technical subjects, such as investing and wealth transfer. Now about 40% of women and men value having an understanding of wealth strategies, and roughly one-quarter view portfolio management as an important topic. Encouragingly, female millennials are also much more likely than baby boomer or Generation X women to report that their self-directed and structured financial learning experiences have been effective. Millennial women are benefiting from their mothers' efforts, demonstrating that women's long-term investment in educating their children is making a difference for the next generation.

Conclusion: Building on success

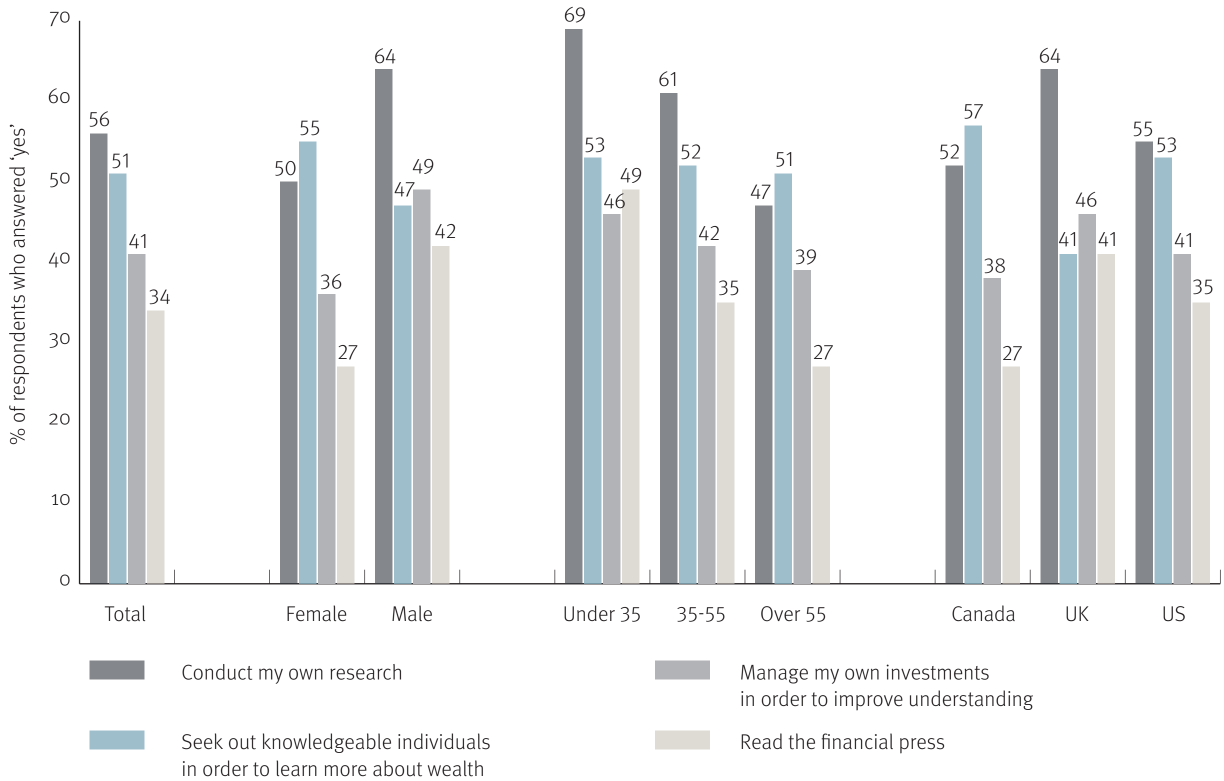
Our study found that high net worth women are ambitious, both for themselves and for the next generation. They seek to build their knowledge of financial and wealth matters, while also actively shaping the environment in which family wealth is passed on to future generations. Their preference for a consultative and collaborative approach means that they place greater value on learning from a broad range of sources, from family and friends to professional advisors.

Women also learn from experience: they reflect on how they learned about finances and how they experienced inheritance, then take steps to make improvements for the next generation. Yet for all their focus on their children, women are lagging behind in completing their own wealth transfer arrangements, which will affect their heirs if left unfinished. Like their male counterparts, women could do more to turn intention into action and follow through on strategies to build the next generation's financial knowledge, such as completing their own wealth transfer plans, starting to educate their children at an earlier age, and giving them a more structured education.

Ultimately, women are investing in the long term by focusing their efforts on educating the next generation. They are far more adept at passing on their values and wisdom before their wealth, giving their children the most effective financial education possible. And it's paying off: a majority of high net worth female respondents under 35 consider themselves confident in their understanding of wealth and money matters. Clearly, women's investment in the next generation is already yielding results.

Appendix

FIG. 1 | *Which of the following do you personally undertake to improve your knowledge of wealth and money?*



Results do not equal 100% as respondents could choose more than one answer.

FIG. 2 | *If you were unprepared when you inherited, which of the following types of support would you have valued?*

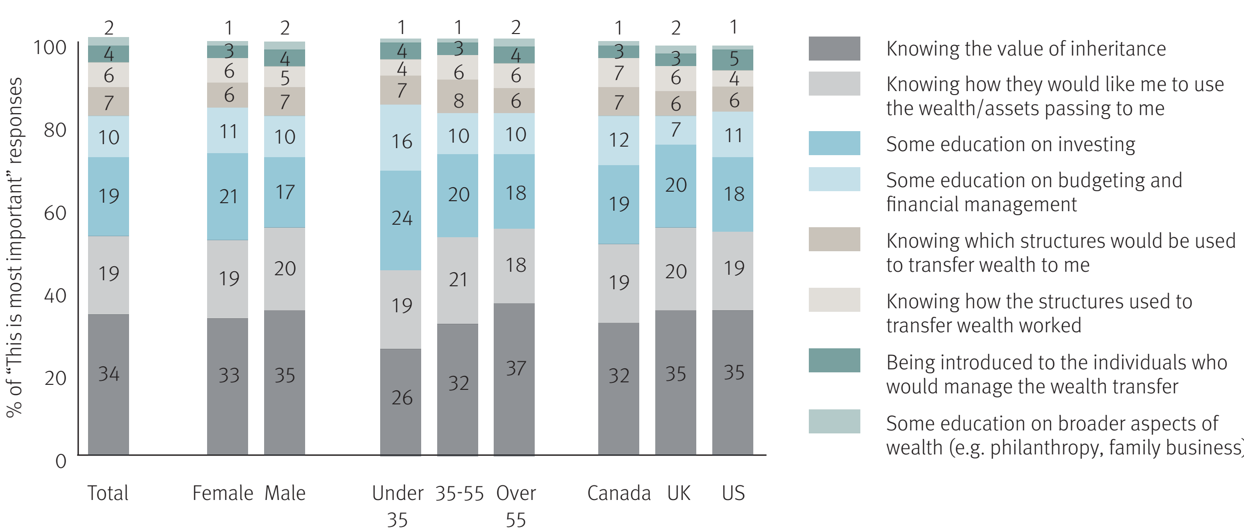


FIG. 3 *At what age do you think your children should start learning about how to manage family wealth?*

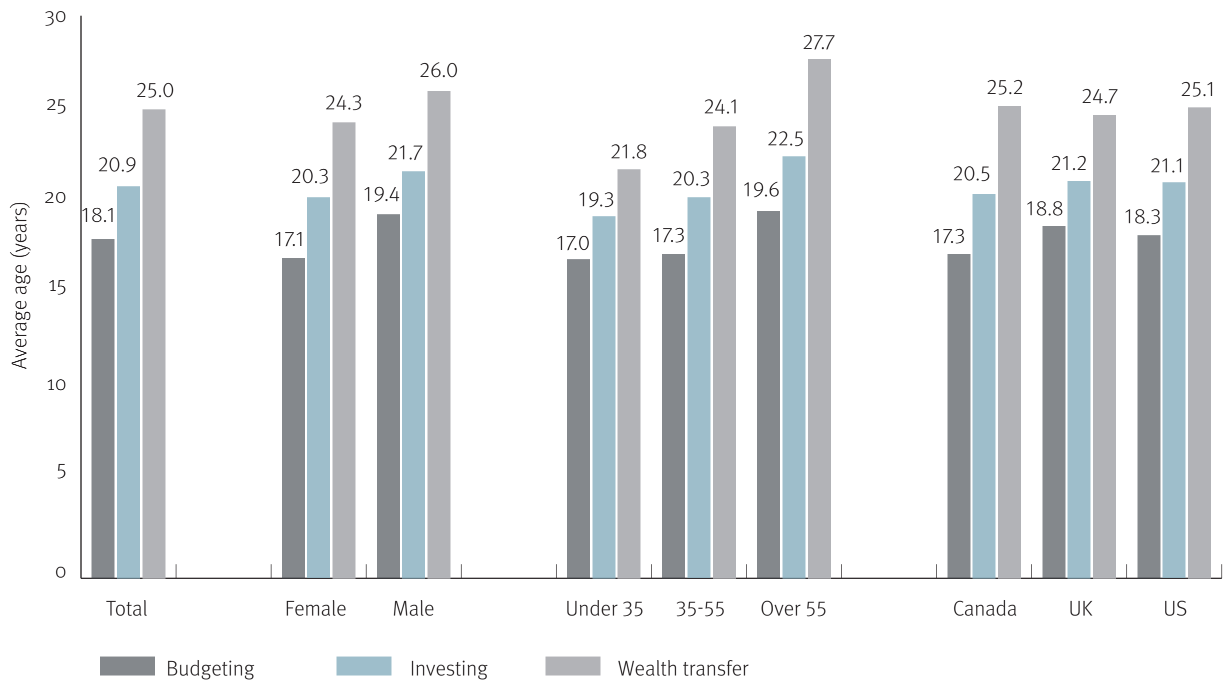
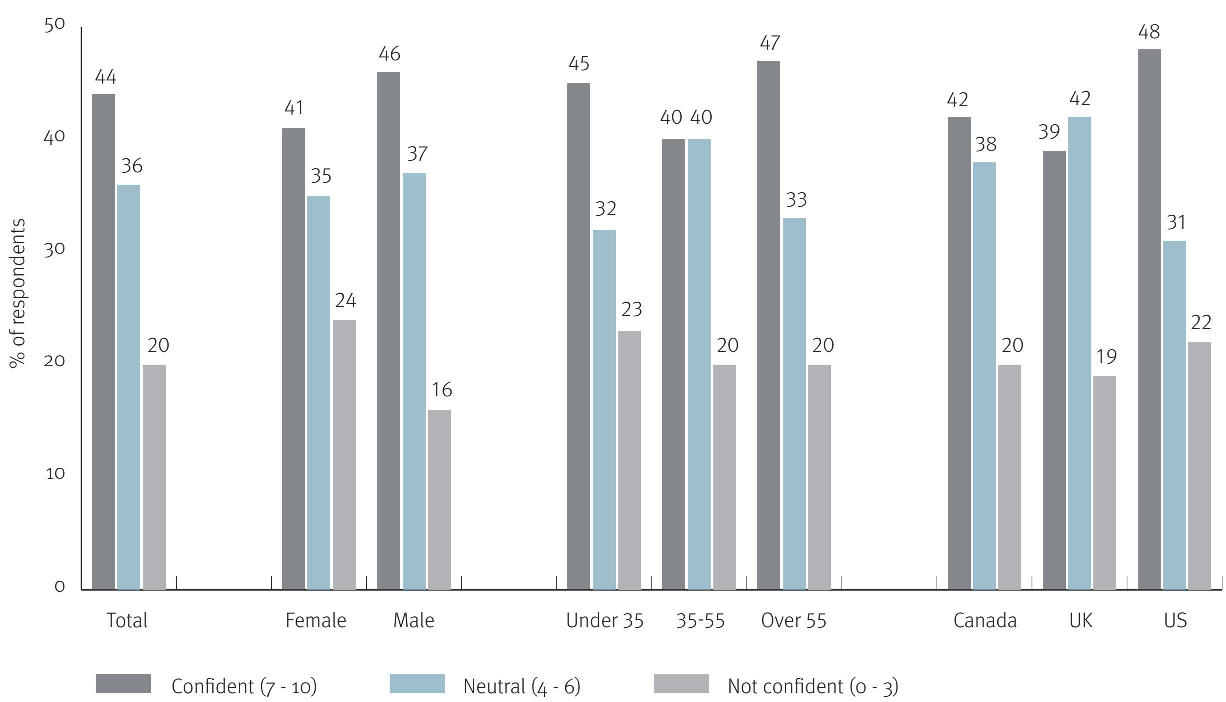


FIG. 4 *If your children were to inherit your wealth tomorrow, how confident are you that they would be able to grow your wealth?*



Methodology

This research, designed by RBC Wealth Management and Scorpio Partnership, was undertaken from June to August 2016. Participants were independently sourced high net worth and ultra high net worth individuals living in Canada, the United States and the United Kingdom.

The methodology comprised both quantitative and qualitative sections. During the quantitative phase, 3,105 respondents answered a 15-minute online survey.

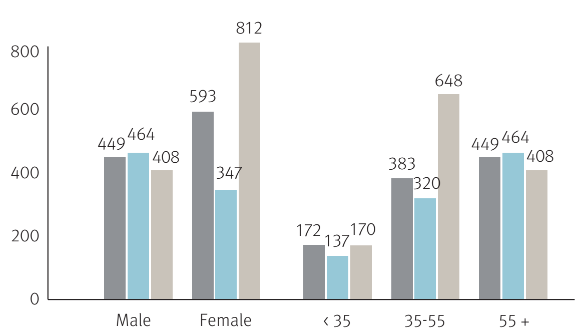
Average investable wealth was US$4.5 million across the respondent sample. This was supplemented by 30 in-depth interviews in the qualitative phase.

This report is based on data from 1,752 females with average investable assets of US$4.4 million. The regional breakdown consists of 593 Canadian respondents, 347 UK respondents, and 812 US respondents.

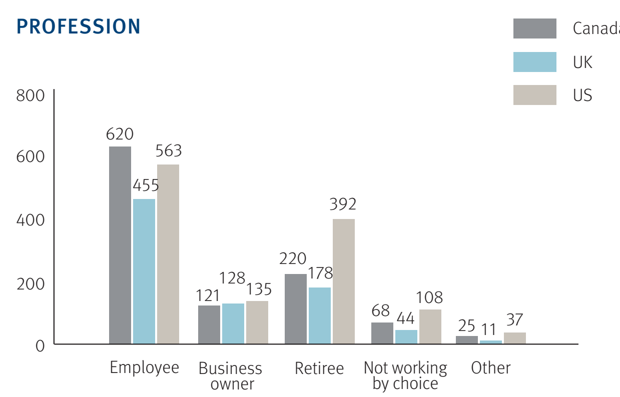
3,105 RESPONDENTS SURVEYED

1,054	816	1,235
CANADA	UNITED KINGDOM	UNITED STATES

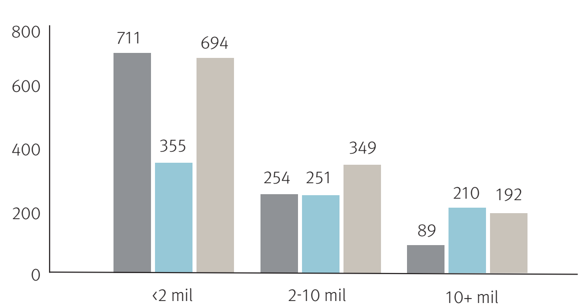
AGE AND GENDER



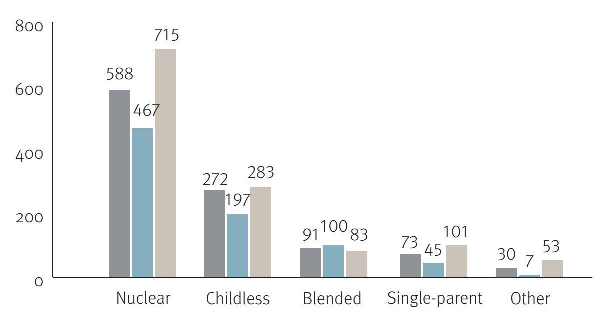
PROFESSION



ASSET LEVEL



FAMILY UNIT



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*Scorpio Partnership Global Private Banking KPI Benchmark 2016. In the United States, securities are offered through RBC Wealth Management, a division of RBC Capital Markets, LLC, a wholly owned subsidiary of Royal Bank of Canada. Member NYSE/FINRA/SIPC.

This report is one of four in-depth papers based on research from the Wealth Transfer Report 2017. The other three papers in the series focus on business owners, millennials and families, and will be released in May and June 2017.

Visit **rbcwealthmanagement.com/wealthtransfer** for more information

Scorpio Partnership

Scorpio Partnership is a leading insight and strategy consultancy to the global wealth industry. The firm specializes in understanding high net worth and ultra high net worth individuals and the financial institutions they interact with. We have developed four transformational disciplines—SEEK, THINK, SHAPE and CREATE—each designed to enable business leaders to strategically assess, plan and drive growth. These include market research initiatives, client engagement programs, value proposition and brand assessments and strategic business intelligence initiatives.

Scorpio Partnership has conducted more than 450 global assignments across wealth for institutions in the banking, fund management, family offices, law, trusts, regulation, IT and technology, insurance and charity sectors. In the course of these assignments, the firm has interviewed over 60,000 private investors and advisors.

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