Gender Congruence Between Clients and Financial Planners: Effects on Perceived Competence and Taking Financial Advice

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What is Financial Planning?

Financial planning is the process of:

(1) looking at a client's entire financial picture

(2) advising them on how to achieve their short- and long-term financial goals (Source: CFP Board).

What is A Financial Planner / Advisor?

- A financial planner is someone who carries out this process for their clients.

- Essentially, this is a field where we, as financial planners, are helping people to obtain, maintain, grow, and protect their wealth.

Growth of Financial Planning in the US

- The need for professional financial advice amongst American consumers is growing, in part, due to the change from a pension-based to defined contribution-based retirement system.

- Stockbrocker model disappearing

- More complex products

- More "regular" consumers investing

- The financial planning industry in the United States has recognized that there is a lack of gender diversity amongst financial planners.

Two Issues

1. Too few women financial planners based on CFP practitioners and FA statistics.

2. Women consumers are more vulnerable and need competent financial advice.

Gender Representation in Financial Planning in the United States

Gender	CFP® Practitioners	Representation in the U.S.	Representation in the Workforce
Women	**24%**	**51%**	58.1%
Men	76%	49%	68%

Source: CFP Board Demographics, 2021 US Census, 2018 Bureau of Labor Statistics, https://www.statista.com/statistics/191737/us-female-labor-force-participation-rate-since-1990/
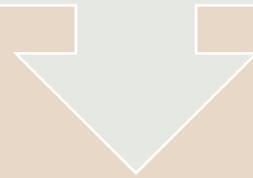
Women and Financial Wellbeing

- Gender differences in financial decision making (Stendardi et al., 2006).

- Women have lower financial objective knowledge than men (Buchker-Koenen et al., 2017).

- Even wealthy women report lower risk tolerance than wealth men (Baeckström, 2021).

- Women may need financial advisors more than men as a result of more financial vulnerability and longer life spans.

Consumers and Financial Planning

- Women investors advised by women report the highest risk tolerance and make the lowest portfolio allocation to cash (Baeckstöm et al., 2021).

- Negative perception of women advisors especially among men (Klein et al., 2021)

- Client and financial planner dissimilarity can negatively impact a client's willingness to take financial advice (Stolper & Walter, 2019).

Benefits of Taking Financial Advice

One of the most critical elements of the financial planning relationship is a client's willingness to take or follow financial planning advice.

Taking financial advice can have positive effects on :

Subjective financial well-being	Savings behavior	Portfolio diversification	Investment performance	Financial satisfaction	Retirement confidence

(Xiao & Porto, 2016) (Liu et al., 2019) (Bluethgen et al., 2008) (Lei & Yao, 2016) (Schmeiser & Hogarth, 2013) (Marsden et al., 2011; Salter et al., 2010)

Previous Studies

Researchers have explored whether consumers have gender preferences when taking advice from financial professionals:

- **Study 1:** Both men and women consumers were more likely to take advice from women planners (Söderberg, 2013)

- **Study 2:** Men consumers were more likely to take advice from men planners (Stolper & Walter, 2018)

- **Study 3:** Women consumers are more risk averse, feel less knowledgeable, and less confident about their investment decisions when paired with men advisors (Baeckström et al., 2021).

Previous Studies – Research Design / Methodology

	Data	Sample Size	Methodology
· **Study 1**	Respondents were asked to look at the photographs of financial advisors (one man and one woman) and answer a questionnaire. (Söderberg, 2013)	N=200	Two-way between-groups ANOVA
· **Study 2**	Study collects data from client-advisor meetings, banking information, and demographics. (Stolper & Walter, 2018)	N=1,431	Linear regression
· **Study 3**	Respondents were asked to complete an online survey of perception towards financial advice. (Baeckström et al., 2021)	N=500	Probit regression

Questions

Is there an association between gender and the likelihood to take advice?

Is there an association between gender and the perception of financial planner competence?

Is there an association between gender and one's perception of similarity between themselves and their planner?

Hypotheses

H_1: Consumers' likelihood to take a financial planner's advice will be higher in gender-similar dyads than in gender-dissimilar dyads.

- H_{1a}: Women consumers will be more likely to take financial advice when given by a woman planner versus by a man planner.

- H_{1b}: Men consumers will be more likely to take financial advice when given by a man planner versus by a woman planner.

Hypotheses

H_2: Consumers' perception of a financial planner's competence level will be higher in gender-similar dyads than in gender-dissimilar dyads.

- H_{2a}: Women consumers will perceive women financial planners as more competent than men financial planners.

- H_{2b}: Men consumers will perceive men financial planners as more competent than Women financial planners.

Hypotheses

H_3: Consumers' perception of similarity to a financial planner will be higher in gender-similar dyads than in gender-dissimilar dyads.

- H_{3a}: Women consumers will perceive women financial planners as more similar to them than men financial planners.

- H_{3b}: Men consumers will perceive men financial planners as more similar to them than women financial planners.

Methods

Primary data

- Respondents recruited from Amazon's Mechanical Turk (MTurk)

Sample (N=777)

- U.S. residents
- Have not worked with a financial planner
- Self identifies as man or woman
- At least 25 years old
- Speak, read and write English
- Household income of at least $63,179 (60th percentile of income in the U.S. in 2018)

Sample Characteristics

- 47% women
- Mean age= 38.82 years old
  - Range= 25 – 87 yrs. old
- 79% hold college degrees
- 72% married
- 92% employed
- 69% have retirement plan
- 71% have investable assets of at least $25,000

Hypothetical Scenario

Imagine that you have inherited $250,000 from a life insurance policy of a family member. You have the opportunity to work with a financial planner at a well-known and reputable financial services company. Below are some details about the financial planner:

- **Name of Financial Planner:** [Man's Name], CFP®
- **Age:** 45 years old
- **Experience:** Planner has worked in financial services for 15 years and has advised hundreds of clients.
- **Education:** Masters in Business Administration (MBA)
- **Continuing Education**: Completes 32 hours every two years of continued education in financial planning.
- **Ethics:** Planner has no violations and has upheld the highest standards in his profession as a financial planner.
- **Awards:** Financial Planner of the Year (award given annually at his firm)

Hypothetical Scenario

Planner's initial advice:

- Your financial planner, [man's name], seeks first to establish a relationship with you, gather information about your personal and financial situation, identify and help you select your goals, analyze your current course of action and any alternatives, develop a financial plan, present the plan, and implement that plan after he has discussed it with you, and you have agreed.

- He will also monitor your plan by reviewing it himself at least quarterly as well as meet with you annually. In addition to the financial plan, he tells you that he will recommend a solution for your money based on your personal risk tolerance. This could include a diversified portfolio of stocks and bonds, a safe product such as a CD, a combination of these options, or something else, depending on your specific situation.

Dependent Variables

Measured on a Likert-type scale from 1 to 7 where 1 is low on the scale and 7 is high on the scale.

- Given what you know so far, how likely would you be to take this financial planner's advice?

- Given what you know so far, how would you rate this financial planner's competence level?

- Given what you know so far, how similar would you say you are to this financial planner?

Results

H$_1$: Likelihood to Take A Financial Planner's Advice by Gender

Type 3 Analysis of Effects			
Effect	*DF*	Wald	*p*
Respondent Gender	1	6.63	0.01
Planner Gender	1	3.19	0.20
Resp Gender * Planner Gender	1	0.23	0.63

Analysis of Maximum Likelihood Estimates			
Variables	*B*	SE	OR
Respondent Gender (Woman)	0.40***	0.18	1.49
Planner Gender (Woman)	0.29	0.18	1.34
Respondent Gender (Woman) x Planner Gender (Woman)	-0.12	0.26	0.88

Note: R^2 = .02 (Cox & Snell), .02 (Nagelkerke), c-statistic = .55.
*p<.10, **p<.05, ***p<.01

H$_2$: Perceived Competence of Financial Planner by Gender

Type 3 Analysis of Effects			
Effect	*DF*	Wald	*p*
Respondent Gender	1	1.91	0.17
Planner Gender	1	3.38	0.07
Resp Gender * Planner Gender	1	0.47	0.49

Analysis of Maximum Likelihood Estimates			
Variables	*B*	SE	OR
Respondent Gender (Woman)	0.27	0.19	1.32
Planner Gender (Woman)	0.34*	0.18	1.40
Respondent Gender (Woman) x Planner Gender (Woman)	-0.18	0.27	0.83

Note: R^2 = .01 (Cox & Snell), .01 (Nagelkerke), c-statistic = .54.
*p<.10, **p<.05, ***p<.01

H$_3$: Perceived Similarity with Financial Planner by Gender

Type 3 Analysis of Effects			
Effect	DF	Wald	p
Respondent Gender	1	5.31	0.02
Planner Gender	1	6.55	0.01
Resp Gender * Planner Gender	1	0.27	0.61

Analysis of Maximum Likelihood Estimates			
Variables	B	SE	OR
Respondent Gender (Woman)	-0.36**	0.18	0.70
Planner Gender (Woman)	0.26***	0.18	1.30
Respondent Gender (Woman) x Planner Gender (Woman)	0.13	0.26	1.14

Note: R^2 = .02 (Cox & Snell), .02 (Nagelkerke), c-statistic = .55.
*p<.10, **p<.05, ***p<.01

Summary

Likelihood to Take Advice

- Women consumers were more likely to report that they would take advice from planners than men consumers.

- Consumers were not more likely to take advice from their own gender group.

Summary

Competence

- Women planners were perceived more competent than men planners by ALL consumers.

Summary

Similarity

- Women respondents were less likely than men respondents to say that they were similar to their financial planner.

- Respondents thought they were more similar to the women planners than they were to the men planners.

Summary of Results

Research Question	Respondent Gender	Planner Gender	Interaction (Respondent x Planner)
Gender and Likelihood to Take A Financial Planner's Advice	**Yes**	No	No
Gender and Perception of Financial Planner Competence	No	**Yes**	No
Gender and Perception of Similarity to Financial Planner	**Yes**	**Yes**	No

Yes = significant, No = not significant

Implications

- Women are possibly more receptive than men to the advice given by financial planners, despite the gender of the planner.

- Women planners were found to be more competent which supports the need for women in advisory positions.

- Consumers seemed to relate to women planners by stating more similarity to them than men planners.

Future Research

- "Superstar" planner effect?

- Investigate certified versus not those who are not.

- Use different sample of consumers (e.g., wealthy, those who have used planners, etc.)

- Add control variables.

Thank You!

Questions?

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