Gender based attitudes: Financial Advisor Responsiveness to Training Intervention

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EXTENDED ABSTRACT, VERY PRELIMINARY

We relate the portfolio recommendations that financial advisors make to individual investors to gender judgements and evaluate if gender based attitudes are impacted by training intervention for financial advisors. Using a unique sample of 100 professional financial advisors whose clients are millionaires, our evaluation is conducted in three stages. First, we elicit advisors’ social judgments relating to gender and test if financial advisors make different portfolio recommendations to male and female investors. For this we adopt questions from the Social Roles Questionnaire (Baber and Tucker 2006) and the Attitudes Towards Women Scale (Haworth 1986). Using vignette methodology (Aguinis and Bradley 2014), we also ask advisors to make asset allocation recommendations to male and female investors who are described in brief pen-portraits. Following this, the financial advisors were invited to undertake a training seminar designed to challenge gender based biases, previously identified to be held by advisors. Finally, we remeasure the attitudes among the advisors who participated in the training and test whether respondents express a willingness to change attitudes.

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Attempts to address gender based stereotype judgements by financial advisors is important because women are identified as persistently under-invested compared to men. Women are more likely to hold a smaller allocation to risky assets in their investment portfolios (Charness and Gneezy, 2012; Eckel and Füllbrunn, 2015) and to hold a higher proportion of cash in their retirement portfolios (Sunden and Surette 1998) relative to men. These gender differences have been attributed to a variety of different factors, but most imply that the cause lies, at least in part, with the women themselves. For example, women are described as being more risk averse (Charness and Gneezy, 2012; Grable, 2000), less financially literate (Bucher-Koenen et al., 2017; Lusardi and Mitchell, 2007), and less confident when making investment decisions (Barber and Odean, 2001, 2002; Croson and Gneezy, 2009). It is therefore widely believed that women both judge themselves to be more risk averse and make more conservative investment choices than men (Eckel and Grossman, 2008). That these perceptual judgements are often shared by financial advisors, whose role it is to make suitable portfolio recommendations to their clients, is problematic since women are not given the same opportunities to grow their wealth as men.

Our intervention was conducted in response to recent research which demonstrates that financial advisors make differential perceptual judgments about equivalent male and female millionaire investors relating to the gender of both investor and advisors (Baeckstrom, Silvester and Pownall 2018). In their study (Baeckstrom et al. 2018) find that advisors judge female investors to have less control over their investment portfolios relative to equivalent male investors. They also demonstrate that advisor gender matters whereby female, but not male, advisors attribute lower levels of investment knowledge and are likely to recommend lower risk portfolios to female millionaires than they do to equivalent male millionaires.
Our research therefore addresses the important problem that financial advisors judge the needs of equivalent male and female investors differently, which may result in variations in portfolio recommendations that are influenced by client (and advisor) gender, rather than being evaluated purely based on the personal investment needs of each individual client. The results demonstrate that the majority of participating advisors feel that they need to make changes to their current practices following attending the training seminar. Their comments ranged from advisors stating that they will ‘consider their biases more carefully’, to others who believe that the need to ‘change their whole approach to attracting and advising clients’. The former suggests that advisors want to become more attentive towards clients’ personal situations and the latter suggests that advisors want to encourage more women to join the financial advice profession (only 23% of financial advisors are female, Hannon 2004) and to target the growing proportion of wealthy female (Fraser 2015) clients more successfully.
References


