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Adrienne Penta discusses how women perceive the wealth management industry based on recent studies, how unconscious bias affects relationship management, and how to engage and serve women (and men) and achieve relationship excellence.

TOM BOCZAR: — participating remotely can be submitted via the chat box. My name is Tom Boczar. I'm your moderator for this session. It is entitled “What Women Want: Unconscious Bias in Relationship Management and How to Serve Women Well.”

We're very excited to have Adrienne Penta here. She's the senior vice president and executive director at Brown Brothers Harriman, where she founded and leads the Center for Women and Wealth. Prior to Brown Brothers Harriman, Adrienne practiced law at the firm of Choate, Hall, and Stewart.

She received her juris doctorate from the University of Virginia Law School, where she was editor of the Virginia Tax Review. She has her BA from Johns Hopkins University. Let's welcome Adrienne Penta.
ADRIENNE PENTA: Thank you very much for that warm welcome. And I’m thrilled to be here with all of you this morning, particularly appropriate since it’s International Women’s Day. Happy International Women’s Day to all of you.

For those of you who are following along in sort of what’s going on right now in the country, you might know that this International Women’s Day is also — there’s also a movement afoot. And some women are not working today. It’s called a Day Without Women.

And there’s really three things that are happening. Women aren’t working. They’re not going to their jobs. They’re not shopping. And they’re wearing red. So, I’ve clearly fallen down on at least two of the three. But I think it’s actually more important to be here with you today.

So, the economic impact of a Day Without Women, I’ve read in the paper this morning, is somewhere between $21 [billion] and $25 billion in terms of GDP. And so we know that women have significant economic power and are significant economic decision makers. And why is this happening? Why do they feel the need to create a movement of this type?

I think it’s because they feel that even though they have this economic power, that their voices still are not heard in the way or to the extent that they want them to be heard. And so, I think that our industry is not immune from what’s going on in the wider world and what’s going on with respect to women. And I think that a lot of what’s going on today is really applicable to our microcosm, our little niche in the world around wealth management.

So, what we’re going to talk about today is, What’s going on with women and wealth? Where are we today, and what’s going on in our industry? Where do the problems lie? And what are the solutions?

So, in some ways, we’re going to talk about today how we’re actually at a disadvantage in terms of serving women, just because of who we are and the history of our industry. But in a lot of ways, I think that this is a very solvable problem for everybody in this room, again, because of who we are, because I think that all of us want to do the right thing for our clients every day. And we want them to get the best possible service, best possible solutions for themselves and their families.

And everybody in this room is really smart. And if we can put our minds to doing this, I think that there’s nothing here that’s unsolvable. I think that it’s just about being a little bit more intentional, maybe in some cases, about how we do it.

So, where are we today? So, it’s true. Women are, as we know from the newspaper this morning — but we know that women are a very significant economic force. And these numbers are only trending in one direction. And that direction is up.
So, they’re a big part of the global labor market. And they control a significant amount of global wealth. And they’re owning and operating businesses across the globe.

We know that 66% of women globally consider themselves primary decision makers over investable assets. And it probably doesn't surprise you — that number actually increases as we think about women who are high net worth, women with a million dollars or more; 73% of them consider themselves primary decision makers. And for women who are wealth creators, that number goes even higher, to 75%.

So, women who are creating and earning substantial wealth are making decisions about that wealth themselves. So, this is the global perspective for some of you who may have global businesses. What happens when we drill down into what’s happening in the US, which is where I think most of us spend our time?

So, the numbers are even more, are even bigger. I think that there’s an even bigger trend in the US around women controlling wealth. And there’s really two themes here.

One is that women are creating more wealth than they’ve ever created in the history of the world. And number two, women are inheriting more wealth than they’ve ever inherited. And so these two factors are really driving substantial wealth into the hands of women and substantial decision-making authority over that wealth.

So, if we first look at creating wealth, we know that women in 40% of all US households are primary decision makers, primary breadwinners. So, they’re actually making it themselves. They are running companies, starting companies. Their companies are becoming more profitable than the national average.

And then in terms of inheriting wealth, I think all of you know that we’re going through the largest wealth transition ever in the United States, as the baby boomer generation passes on what they’ve created. That’s a $40 trillion wealth transfer over the next 40 years. And of that 40 trillion, women are going to end up with 70% of it. And that’s $28 trillion.

So, what does this mean for us as an industry? It means that the investable assets held in the United States are going to become more and more often controlled by women. So right now today, 39% of the investable assets in the US are either jointly or solely controlled by women. And that’s $11 trillion, and 5 trillion dollars of that is actually solely controlled by women.

So, we already see this really substantial shift in how assets are being managed. And this, I think, in my opinion is the largest opportunity for our industry in any of our lifetimes, in terms of growing our businesses and thinking about how we serve clients and earn more clients. For firms that
are willing to invest and to get it right for women and how we serve them, this is a huge opportu-
nity for all of our businesses.

But what’s going on right now in our industry? So, women are probably not our biggest fans. They
feel underserved and oftentimes misunderstood by the advisers on the other side of the table.

So, this is all US data here. So, 44% of women in the US don’t even have a financial adviser, don’t
engage with our industry. And that’s bad for all of us, for all the obvious reasons.

But it’s also bad for women and for financial health. And we talked yesterday — fantastic presenta-
tion about the gender retirement gap. And so, all of the things that we learned yesterday apply here.

So, 44% of women don’t even have a financial adviser, which means that they’re underinvested.
They’re holding more cash. And they’re probably not saving to the extent that they should be.

And that number, shockingly, for high-net-worth women, women who have a million dollars or
more: 30% of them don’t have an adviser. So, those are women that many of us would want to
have as clients. And they’re out there, not engaged with our industry at all.

And so, of those that do have an adviser, almost half of them say, “My adviser doesn’t understand
me.” And once you get into the high-net-worth space, 51% of women say, “My adviser doesn’t
understand me.” And then women under 40 — really dire picture — 72% say that they don’t feel
understood.

So, the cash drag, obviously, has a negative effect on the industry. It has a negative effect on women.
But you know, there’s really a real opportunity here to get it right and to do better, because this
isn’t rocket science. So, nothing that we’re going to talk about today is really all that complicated.

So, what are women saying, and where are we going wrong? And a lot of this is really in the small
stuff. It’s not that anybody walks into a room intentionally not serving or not understanding any
of our clients.

This is a very clientcentric industry that we live in. We all want to do the right thing for our clients
every day. But sometimes, small things get in the way.

So, I’m sure that you’ve heard — I hope you haven’t — but I’ve certainly been in client meetings
where I’ve heard some of these things happen, where the commentary about what’s going on in
an account or what’s going on with investment performance is really directed to one partner or
the other. And this doesn’t just apply to women. It really applies to whoever is dominating the
conversation in the meeting.
And the most common anecdote I hear, actually, as I travel the world is, “My guy doesn’t even look at me.” So, that’s totally unconscious, right? Where we look, who we’re looking at, how our body language is expressing what we think — totally unconscious thing.

We don’t go into a meeting thinking, “I’m only going to look at one person in this meeting. I’m not going to look at the other person.” But sometimes, those things are happening.

Have any of you been in the situation — I know I have, maybe in a hundred client meetings — where you walk in and it’s sort of a traditional client? There’s a husband and a wife sitting there. And perhaps the person you are presenting with says to the wife, “How are your kids? Oh, that’s so great. Everyone’s good. Good to hear that.”

“Oh, Mr. So-and-So, how’s your business going? How’s the hedge fund industry? What’s going on there?” And so, in doing that, it’s really well intended, right? We want to connect with our clients on the things that they want to connect with.

But sometimes, for some clients, you’re sending an unintentional message just in how you start the meeting, how you introduce yourself, how you sit in the room, how you welcome them to the meeting. And the message sometimes there is, “I’m going to talk to you about personal things or things related to your family to Mrs. So-and-So. And to Mr. So-and-So, we’re going to talk business, because that’s what we have in common.” And maybe sometimes, we could be setting the table for the meeting in a way that’s actually not inclusive in the long run.

I’ve been in a lot of meetings, too, where, number one, either women aren’t there or they are there but they’re only physically present. They’re not actually participating in the meeting. And I’m sure that some of you have seen that as well.

So, what do all these complaints add up to? It’s that women feel as if they’re actually not being included, that there’s not an environment of inclusion when they’re in the room. And when they are, they’re actually not being heard or respected.

So, as I said to begin with, we’re an industry focused first and foremost on client service. I don’t think anybody in this room has ever presented to a potential new client and said, “We’re actually not that much about client service.” We all talk about how focused we are on our clients and how we want to give good service.

So, this behavior is not conscious. There’s nobody walking into any of these rooms that intentionally is not serving their clients well. But these little micro-actions — these things that we hear, these things that we say — they all add up to an environment that makes some of our clients feel like they’re not fully included in the conversation.
And what does that result in? So, we’ve all seen the data on percentage of women who leave their advisers after their spouse dies or they’re divorced. I’ve seen percentages as high as 70% or 75% of women actually leave their current adviser. So, that’s the biggest threat, obviously, to us and our businesses.

And then secondly, it results in sometimes women actually not showing up at meetings at all, because they think, “Well, jeez, I didn’t actually participate in that conversation. I wasn’t really included. Maybe I don’t need to be there at all.”

And that has really, really negative effects for families. And I could probably spend an hour just talking about that. But in my experience, when you have one decision maker, whether it be the patriarch or the matriarch making decisions for a family, you actually don’t get the best results for a family over the long term.

I’ve seen many situations where you work with one person in the family to create an estate plan, let’s say. And you’re sort of 80% of the way done. And all of a sudden, you have the other spouse come to the meeting and say, “Whoa, whoa, whoa, wait. That plan’s actually not going to work for me. It’s not going to work for my children. What were you thinking when you did it this way?”

So, similar to how we understand diversity in the corporate context, having diverse perspectives around the table as we run our businesses creates more revenue, better results, better client engagement, and more innovation — same thing in the family context. If we have all the stakeholders at the table making decisions, we make better decisions. And we have more sustainable plans for families long term.

So, now is when I am going to bare my soul to all of you, my 300 favorite CFA® charterholders, and air my dirty laundry. So, I do stuff like this. I talk about this. I think about this a lot. And last year, 2016, not that long ago, I fall into the trap that I talk about all the time.

So, I had a client call me. And she said, “I want to talk about the performance of a specific asset class. And I’m kind of concerned about that. Let’s have a meeting and talk about that.” I said, “Sure, no problem. Let’s do that.”

She is a gay woman who is not married but has a long-term partner. And they have no children. But she has a lot of nieces and nephews. And she’s very thoughtful about how she does her planning and her investing.

So, she comes in. And I’ve got about three other people sitting to my right from Brown Brothers. And she sits in front of us. And we proceed to talk about investment performance for 90 minutes.

And about halfway through — about 40, 45 minutes in — I can tell this is a bad meeting. This is not going well. Her body language, everything about her — she’s usually very engaged, very respectful.
She sort of starts not asking good questions. She starts not talking a lot. She’s looking down at the book a lot. I know in my gut we’ve gone wrong here somewhere. And I don’t have quite enough distance from it yet to understand why.

So, we get up at the end of the meeting, saying OK, great, thank you, goodbye. And she says, “Adrienne, can you stay for a minute?” And at that point, I really know. I know that I’ve screwed up in a really fundamental way.

And so my three colleagues file out of the room. And I sort of want to grab onto their shirttail and go with them, because I know what’s coming next is not good. But I stay. And she says to me, “Why didn’t we talk about planning?”

And that’s a really good question. I’m an estate planner by training. I’m not a CFA [charterholder]. I’m not an investment person. And I can talk about estate planning all day long. And we didn’t talk about estate planning. And she had changes she wanted to make to her estate plan.

And we didn’t talk about year-end philanthropic planning, which is very philanthropic. And we were a few months away from year-end. We didn’t talk about her vacation home that was on the market. We didn’t talk about a potential IRA rollover that I knew was on her mind. We didn’t talk about any of these things. We talked about investment performance of one asset class for 90 minutes, which left everybody in the meeting feeling really bad and like we hadn’t actually served her needs particularly well.

And so, I definitely fell into the rabbit hole here. And I made a lot of assumptions. And granted, if I were having my best day versus my worst day, I probably would have said to her afterward, “And what else do you want to talk about?” Because 90 minutes of investment performance on one asset class is not all that meaningful to anybody, I hope. And it was a really big missed opportunity for me.

So, being the director of the Center for Women and Wealth, I spent the next 24 hours pretty much thinking about this one client interchange. And I called her the next day. And her name’s Chris. And I said, “Chris, I made some assumptions based on who you are and how I think about you. And that’s why we structured the meeting this way. And it was a big miss on my part.”

And it just goes to show, I hope, through sharing this sort of semi-humiliating story with you, that this actually happens to everybody all the time. It’s not just women. It’s not just men. It’s all of us and how we think about relating to people that aren’t like us.
And this is the obvious stuff — how we structure meetings and what we say in meetings. What’s the less obvious stuff and the harder stuff to control? So, a lot of what we communicate to clients is actually not in what we say, but how we say it and our body language and facial expressions — really, really unconscious stuff. And this small stuff adds up to have a really significant impact on how our clients feel about us.

This study that was done a couple decades ago out of UCLA — this is actually not about when I’m delivering information to you — this study was done on whether the speaker is liked and what the attitudes are of the listeners toward the speaker. So, that’s really critical for all of us who are in relationship management roles — that we need to be interacting with clients in a way that, number one, they trust us, first of all, and that they like us. And there’s a lot of really unconscious stuff that goes into that.

So, we’ve sort of been dancing around this idea of unconscious bias. And what is unconscious bias? We hear it a lot. I’m sure all of you have been to unconscious bias boot camp at your various organizations. It’s now a cottage industry.

But unconscious bias is actually — bias itself is not actually a bad thing. We need bias to get through the day every single day. Unconscious bias is merely a mental model — how we think about things and make efficient, very quick decisions, as we do millions of times every day. And other ways to talk about it — it’s sort of an implicit assumption. And in our case, it’s an assumption that we’re making about an individual based on characteristics of the group.

But 99% of our mind’s function is actually unconscious. This morning when you got out of bed, you didn’t think, “Should I stand up now? Should I get into the shower now?” We’re just doing these things automatically. We have to, to get through our day.

And part of it’s because there’s so much information coming at us all the time. So, 11 million bits of information barrage us every single second of the day. And our brain’s maximum capacity for that information is less than 50 bits per second. So, we have to make assumptions. We have to, just to get through the day.

And many of those assumptions are really, really good. They keep us safe. They keep us from stepping into traffic. They keep us functioning and moving through our day in a way that allows us to move on and not to be slowed down by every single thing that happens.

For example — I will give you an example. I was at a museum with my five-year-old son. And there was a big exhibit on snakes — and all of these slimy things behind the glass. And of course, like any five-year-old boy, he wants to run up to the glass and press his nose against it.
And what do I do as a mom? I go — right, that’s the first thing I do. “Whoa, don’t step too close to the glass.” Why did I do that?

So, all of the information that I have in the back of my mind about snakes is, they’re kind of bad actors. And so, that’s what we see in the movies. It’s what we see in our environment. That’s how they’re portrayed. We can go back to the Garden of Good and Evil.

Snakes are bad. And that’s what we get from the media. Snakes probably couldn’t care less about us, frankly. And they’re probably just going on their way. But my initial reaction is to say, “Whoa, don’t step too close to the glass.”

That’s not based on any real information. Number one, they can’t get through the glass. Number two, my son’s more likely to harm them than they are to harm him by banging up against the glass. But it’s just something that we do automatically every day, or something that happens without us really thinking about it.

And I think that bias against snakes is probably OK. I can probably live with that one. But then there are some other assumptions that we make that aren’t particularly helpful to us.

So, where does this stuff come from that allows us to make assumptions? So, there’s a recent study that’s gotten a lot of attention that was published in the Journal of Science — that I’m sure a lot of you have read about in the New York Times and other places — about, When does gender bias start to seep in? Because everything we see in our environment — everything we read, we see on TV, we see in the media — it all comes into our brains as very little people, children, to make us think a certain way, to make us have a certain set of assumptions or heuristics that we use every day.

And so, this particular study brought together a group of four- and five-year-old children. And they put up a series of photographs of different people in front of them — men and women that looked different ways. And they asked these children, “Who is brilliant?” In their language, they said, “Who’s really, really smart?” And all of the boys and girls at ages four and five said, “The one that looks like me.”

So, at ages four and five, we’ve got this great, supreme confidence. We’re not marred by the world yet and the way the world thinks and the information that we get from external factors. And the girls say the girl looks smarter. The boys say the boy looks smarter.

So, you repeat the study at age six and seven. And then you put the same images up on the screen. And you ask the children, “Who’s really, really smart?” And they all say the men. The girls stop saying that the women are really, really smart. And everybody points to — or many more children point to a man being the smartest person in the room.
So, I mean, there’s no parent in this room that is teaching that to their children. I guarantee it. Where do they get this? We get it from our environment. We get it from the things we listen to, the things we see, just the way that the world operates.

So, this is really quite ingrained at a very early age. And guess what? It’s really hard to get rid of. We’re not going to get rid of it.

So, here’s a good example: 1952, my hometown, Boston — the BSO [Boston Symphony Orchestra] decides that they need a more gender-diverse orchestra. So, they start implementing blind auditions, which is now what all orchestras do around the world.

So, the women and men who are auditioning walk in. They walk across the stage. They sit down. They play their piece. And then they walk off behind the curtain, so nobody can see who they are.

And what happens? Does anybody know what happens? Do we get more gender diversity? The answer is actually no, because unfortunately, as women, we still make really poor footwear decisions.

[laughter]

So, our sense of sight is not our only sense. And we’re absorbing information in every way as we walk through the world. So, the women click-clack to the chair. They sit down. They play their piece. And their high heels click-clack as they walk off the stage. And so, we know there’s a woman behind the curtain.

And so, they didn’t get gender diversity. So, what they actually did in order to make sure that they were really blind auditions is they had everybody take their shoes off before they walked on the stage and played their piece and then walked off. So really, there was no way of knowing.

So, I think it’s probably a good thing for all of us that we can’t put our clients behind a curtain and ask them to take their shoes off. We have to interact with them face to face. And so, we can’t disguise identity. We have to embrace identity in the world in which we all operate.

So, this is just Bias 101. This is what exists in the world — as we think about it as parents, as we think about it as coworkers, as we think about it just as we go about our business every day. But as an industry, we’re actually facing even greater headwinds when it comes to gender. And there’s two reasons.

One is that women are new clients to our industry. Women didn’t actually have full economic rights in this country until the very late 19th century. And then constructively, they didn’t actually have economic rights until sort of somewhere toward the mid-20th century, even pushing into,
maybe, the ’60s and ’70s, when they were able to work for a living, keep their income, have separate property, and make decisions for themselves economically.

So, 50 years? There’s people in this room who’ve been in this industry more than 50 years. So, this is new for us. This is new in thinking about women and having financial capability and decision-making power.

The language we use to talk about finance is still gendered male. And we could talk about that for an hour, too. But we won’t. So, new clients, new client demographic for us as an industry, relatively speaking.

The other part of it — and I think we could look around the room and probably appreciate this today — we’re still a nondiverse industry. We’re working really, really hard at it. I know we all are. I know that everybody in this room is doing the right stuff every day in terms of trying to hire and promote more diverse talent.

But that’s a slow process. And that doesn’t happen overnight. So, 86% of financial advisers are still male. And 43% are over the age of 55. So, the industry is older and male and white.

So, that lack of diversity is actually a pretty significant headwind as we try to think about how we serve a more diverse client base, for a couple of reasons. We know that having people on our teams who are diverse, who are part of that group, makes it easier for us to understand and serve well diverse groups. The other part of it is that very few financial services organizations have gender diversity at the most senior levels. Most of the businesses that we work in are still run by men. And that’s just going to take time to change, for sure.

But not having women or gender-smart men at the most senior levels of leadership in our firms is really a drag. Firms that do have that, that do have that 2D diversity, as they call it — the diversity and inclusion space — are 70% more likely to be able to open a new market. And they’re 45% more likely to be able to improve market share.

So, having diversity throughout our businesses, for sure, but especially at senior levels is a huge bonus. And we don’t quite have it yet. And we’re not going to have it tomorrow. So, how do we change in the absence of true diversity within our workforce, which I hope will happen soon?

So, I sort of hid the lead here a little bit. I think the presentation’s called “What Women Want.” And this is a little bit anticlimactic. I apologize.

Women want the same things as men do from us. There’s no pink solution. There’s nothing that is really, really different. Women want really good service and customized advice when it comes to investing, financial planning, estate planning, philanthropy, and all the other things we do for
them. The problem is that they don’t always get it, because we’re facing really substantial headwinds in terms of bias and not being a diverse industry and having this relatively new client base — client segment — that we’re working with.

So, in the absence of real diversity — in the absence of being able to, just being able to serve diverse client groups really well — what do we have to do? We have to be much more intentional about how we do it. And we’re calling this conscious inclusion. We have to consciously include people who don’t look like us every day.

And the story of our industry in our lifetimes, I believe, is going to be the diversification of wealth in the United States. And we’ve seen it already, whether it be women, whether it be LGBTQ, whether it be cultural or racial or educational. We are going to have to serve a lot more clients that don’t look like us every day. And we have to create rapport in the absence of commonality. So, that’s what conscious inclusion is about.

So, what exactly does that mean? So, here’s the definition that I’ve created. So, it means creating an environment of involvement, respect, and connection, where the richness of ideas and perspectives is harnessed to create the best experience for every client every day through thoughtful and intentional client-centric service. Let’s break that down for just a minute.

So, conscious inclusion means creating an environment of involvement, respect, and connection. So, that means every client, even the clients that we don’t think are decision makers or maybe aren’t that important. So, it means the people in the room that aren’t talking, that aren’t actually sharing their opinion.

And the second part of this — where richness of ideas and perspectives is harnessed to create the best experience for each client — I’m actually not talking about your ideas. Your ideas are very important. But the ideas of our clients oftentimes are much more important, because they know what their goals and objectives are. They know what their families look like and act like and the challenges that they have.

So, what we’re really talking about here is creating an environment where our clients can share their whole lives with us in an authentic way. And we can’t do that with each other, we can’t do that in our industry, we can’t do that in our families or our friend groups without feeling like we’re included, that it’s a place that we can come and really have those really thoughtful and truthful conversations.

And then finally, through intentional and thoughtful client service — so, I think we need to think together about how we create and sustain client relationships. And I think in some ways, that means creating process around that. And we’re going to talk a little bit more about that in a second.
So, here are the three elements of how I think all of us in this room, every single person, can do this in our practice. How do we create, spread, and manage conscious inclusion in how we talk to clients and how we work with them? Raise awareness, training, and then process. And one of these elements alone is not enough. And I’m going to talk to you about why that is.

So, first, awareness — I hope in the first 30 minutes of this presentation, I’ve raised everybody’s awareness. But I think that there’s a lot of things that we can do with our colleagues and with our peers as we go back to the office, the first of which I think is really easy. It’s to take the IAT.

So, a bunch of really smart people at Harvard got together. And this is an Implicit Association Test. And there’s the website. You can do this on the plane ride home, once you connect to Wi-Fi, over your glass of wine tonight. And it’s a really easy thing to do, to just understand what my automatic associations are when I’m not thinking.

And here’s what they are. This is 10 years of data that Harvard’s collected for gender and career and family. So, you probably can’t see this on the screen, but I’ll give you the short story.

So, 75% of the people that took the IAT associate in some way men with career and women with family. And I’m sure we do, too. Everybody in this room, I’m sure, has some similar association. There’s only 17% (the white bar) of people who are totally unbiased. And the last 9% go the other way.

But this is where we’re starting. This is the base of what we’re starting at. I think this particular IAT test is important, because gender and career and income and wealth are sort of a continuum. And if we’re associating, in the back of our minds, those things with men, we’re not associating them with women.

And I think a lot of us think, “I’m not biased. I travel around talking about this every day. How can I be biased?” We’re all biased, trust me, in some way.

And then the other part of it is unconscious bias training, which is sort of a deeper dive into some of these topics. And I’m sure many of you have already done it. We just completed it at Brown Brothers for every single senior leader of the firm.

And some really remarkable things, I think, came out of it, where people understood to a greater degree why they’ve made decisions that they’ve made, whether they be hiring decisions or decisions to put people on teams. And we’ve had some really truthful conversations that have resulted from that. So, I’d highly encourage it.

But we can’t actually stop there, because what we know from the data is that unconscious bias training or diversity training generally actually doesn’t work, which is unfortunate but true. And then sometimes, we actually go the other way.
So, I just sat in unconscious bias training for three hours. Great. I feel really good about myself. Now I can give myself permission to go make whatever decisions I want, no matter how biased they are. And so, that’s what the data tells us. So, that’s not really perfect.

So, what else do we have to do? So, training — it’s about training everybody who relates to clients in the best way to do it. And so, I would say that almost all the people in this room who work in wealth management are really great relationship people.

That’s why we work in this industry. We like working with people. We can relate to each other. We can relate to our clients. We have a lot of stock in creating rapport with people.

But the research actually says that we’re attracted to people who look like us or who look like our parents. And as we just talked about, the story of the next 50 years is going to be the diversification of wealth. And we’re not going to look like our clients.

And we’re really limiting ourselves in growing our businesses and thinking about how we serve clients if we can only really create rapport with people that look like us. So, how are we going to do it in the case that they don’t? And they won’t, for that matter.

So, we have to be intentional about best practices in terms of communication, how we work with clients, how we communicate with clients, how we set up meetings, how we send email — lots of the little, little, little stuff. This is not rocket science. The talk before me on asset allocation — that’s rocket science, from my perspective.

This is not rocket science. This is stuff that we do every single day. But these really little, small things we do add up to create significant impact on how we serve clients and our clients’ happiness.

This is just a few of the things we’ve come up with — how we want to be more intentional about how we work with clients. And I won’t go through these. And you can certainly read them. All the materials are in your information.

But a lot of this is about, Let’s ask our clients what they want to talk about. Let’s circulate an agenda. Let’s ask them for feedback on that agenda before we meet with them. Let’s ask them how they want to receive that information. Let’s ask them how they want to set up meetings, when they want to set up meetings, who should be included in the meetings.

Some of the stuff is really small and sounds not supersmart standing up here talking about it. But the overwhelming theme of this is we need to give more control to our clients. So, this goes to client-centric service.
That’s a really uncomfortable thing to do, I think, for all of us who want to make sure we have the right answer. That’s what they hire us for, the answers. Not really, but many of us think that way going into client meetings. And I want to be able to deliver the brilliance of my firm to my clients when I meet with them.

But actually, we have a much more satisfying client experience when the client can control the dialogue and they can control the meeting and where we’re going. Maybe you want to talk about your brilliant manager selection in a particular space. Maybe they want to talk about their kid, who’s having a really hard time in college — who they now don’t know if that child at age 30 is going to be in a position to serve as trustee under their estate plan. We’re doing the best thing by our clients if we can actually help them with the questions that are keeping them up at night and not delivering them our best thinking all the time, because our best thinking is actually most important to us, not necessarily to our clients.

I actually had — now that I’ve told you a humiliating story, let me tell you one that makes me look a little bit better. So, we were actually pitching to a very significant client two or three years ago — me and a colleague, a 55-year-old white guy who went to Dartmouth, a great guy, great guy.

And so, we knew going into the pitch we were pitching a Fortune 100 CEO (and his wife) who hadn’t worked in a really long time but was a CPA by training. And they had children in college in their 20s. And they’ve got lots of complication in their lives, because he’s flying all around the globe. And she’s managing multiple homes and children and colleges and all sorts of things.

We were told going into the meeting there were five firms that were competing for the business. It was a typical beauty contest. We know we’re slotted for 45 minutes between two other competitors. And we knew going in that she was the decision maker, because we were told by the person who referred us the business (who was the accountant). And I assume that he told everybody that she was the decision maker.

And so, we must have said to each other — me and my colleague John before going in — “We need to focus on her. We need to look at her.” I mean, we literally repeated these things. We need to make eye contact with her. She’s going to decide, at the end of the day, who owns the business. It’s a really hard thing when you’re in the room with a Fortune 100 CEO, because he is used to controlling the show and running the show.

And so we went in. And we did what we thought we were going to do. The only reason we won the business is because we were the only firm that made her included in the conversation.

I mean, some of this stuff has really, really significant economic impact. I don’t think that we were the smartest people in the room. We probably didn’t have the best investment performance in the
room. We were probably not the fanciest people in the room. But we won the business because we actually spoke to her during the meeting.

Can we stop there? This is pretty comprehensive. We're going to teach people how to do it. We're going to teach them how to do it every time the right way. Can we stop there?

So, more sort of sobering statistics on training. So, the world globally spends about $355 billion a year on corporate training — big amount of money. But 90% of what you learn in a corporate training you have forgotten by the time you get back to your desk. So, good to know, but not going to change how we do things, probably.

So now what? So, critical step number three: behavioral design. You can read lots and lots of books about behavioral design. But let me shortcut it for you.

Behavioral design is the institutionalization of best practices through systems and process. Behavioral design makes it easier for our biased minds to make unbiased choices, to make better decisions every single time we're confronted with those decisions.

They're just nudges in the right direction. They can't really change what we do in our business for the most part, but they can push us in the right decision as we go into those meetings. Like before we went into that pitch, the last thing we said to each other was, “Look at her.” That's a nudge. So, if that's the last thing I'm thinking before I walk into a client presentation, you'd better be sure I'm going to do it.

So, behavioral design is a global movement. And I'm sure many of you already use this in your business or have heard of it. It's being used in a lot of different areas of the world, in governments, by universities.

The most stark, interesting — and the BSO blind audition is a good example of it. The other example is, you go into the Holiday Inn by the airport because you're sleeping there before you catch an early flight or something. And you can't actually turn the light on in the room until you lock the door. Would it be really compelling if it said, “Please save electricity and be mindful of turning the lights off”? Maybe. But if you actually can't turn the lights on if you're not in the room, we know you're going to save electricity. So, that's behavioral design at its most basic.

There's a recent article that I'd encourage all of you to read that was in the New York Times a couple months ago (in January) about the application of behavioral design to health care — life or death. Luckily, we're not dealing with dying patients, but the folks at Johns Hopkins Hospital were.

And what they were seeing — blood clots, for the most part, completely preventable and treatable; women were dying at a higher rate than men of preventable blood clots. Bad thing for a hospital,
because blood clots come into being for all sorts of conditions. And so, they were not — women, it turned out, were not receiving blood clot prophylaxis at the same rate as men. And they were receiving less intense treatment for heart attacks — lots of other things, as well.

But through the study of blood clots, what they found was that it wasn’t because of any other treatment differential. It was actually because interns and doctors were treating women differently than they were treating men. So, that’s a type of unconscious bias.

And so, what they did at Hopkins Hospital was they introduced a checklist around blood clot prevention. And they call it a decision support tool for the physicians that are working in the areas where it’s necessary. And what would happen is it would prompt the doctors to treat every single client who is at risk of a blood clot the same way.

And what happened? Zero. Zero preventable blood clots happened for women or men. So, they nudged their doctors to actually go through the same list to check off the same issues for every single patient to make sure that the standard of care was the same for everybody, which resulted in zero preventable clots.

So, what they did in creating the checklist — and this is really a direct analogy to our industry — is they interrupted bias. And they don’t want to replace doctors with machines. We don’t want to replace relationship managers or advisers with a computer.

What we want to do is — we want to improve the decisions all of us can make every day. I certainly want to improve the decision-making power of the doctor that I see if I walk into the ER. But we can do it in our business, too, in a situation that’s actually not life or death. And we actually have maybe more opportunity to improve outcomes.

So, What Works, by Iris Bohnet, is sort of the bible on behavioral design. And she is incredible. If you ever get a chance to hear her speak, I highly recommend it.

The book’s a pretty quick read. And here’s sort of a shortcut. If you just read the last chapter, you’re going to get 90% of it. But it makes it easier for us to make good decisions every time.

So, how do we apply this to our business? We’re not preventing blood clots. We’re trying to give clients really good service. We’re trying to make them feel included and respected and like really important clients that are getting exactly what they need from us.

So, first part: collect data. Where are the differentials in your business? I’m sure all of us are already doing some form of client survey. Let’s cut the data by gender. Let’s cut it by ethnicity. Let’s cut the data by LGBTQ community members.
Let's take a look at where there are differences in client satisfaction in our businesses. And this is something that we've started to do. And this is not just about gender inequality. This is about all clients who, for whatever reason, don't feel well served.

And then, let's experiment with how we change behavior to close the gap. We should know going into those experiments that we don't live in a design-free environment right now.

So, one design flaw that we found in our own systems is in that trusty, handy-dandy CRM [customer relationship management] that we use, which is a huge pain in the neck, as we all know, because we have to put information into it all the time. But we found that some of our female clients weren't actually in our CRM system, because we weren't required to put the secondary decision maker in there for some accounts. That's a huge design flaw. Huge. And so, just taking a look at what — let's take a look at what the design is in our current environment right now, as it is.

And then, signposts. How do we experiment and create signposts that help us every time? And I think a really good — going back to the checklist. And there's a book called The Checklist Manifesto, if you want to read it, which talks about how the use of checklists can help us make good decisions. But checklists, I think, could be really critical to our business.

And the part of our business, as we all know, that's really important is onboarding, client onboarding. So, we know that the first 90 to 120 days of client experience is an indicator of future success for wealth management clients. They have to have a really good, really smooth, really well-served onboarding experience in order to be happy clients for the rest of eternity.

So, if we can ask clients some of the really fundamental questions and make sure we're asking every time and we get the answer with certainty — how do you want to be communicated with? Well, I prefer email. Well, my wife actually doesn't sit in front of a computer all day. She's going to say she doesn't want email. She wants me to give her a call. Whatever the thing is — how can we serve each of you best?

And then, I mean, it doesn't stop there. Let's get a little bit further into that conversation. And this is a question I've started asking, because I had a client experience this week that has taught me this: If I don't hear back from you, what do you want me to do next?

I have a client who I've had for six years, who is an awesome client in a lot of ways. But she told me this week at a meeting, she said, “If you don't hear back from me, I want you to call me within two weeks.” Many of our clients would want that.

Some of our clients are like, “Seriously, don’t bother me. I got it. I saw the information. I’m moving on.” So, I mean, we need to know which it is.
And so, there’s a lot of questions around communication style and how can I actually serve you. This has to be clientcentric, like patientcentric service. It has to be clientcentric. How do we serve you best? And then, we can actually put our best thinking to work for you.

So, there’s a lot going on around behavioral design outside of our industry that I think we can learn from. One of the things that I’ve done is, I’ve put together a study group of really great relationship and business development people that I know across the industries of insurance and philanthropy and attorneys and wealth managers. We’re all pretty good friends. But all of these people are really great at what they do.

And we’ve come together to think really tactically about what are the best practices for the clients we serve. I can’t tell you about your clients, because you have a different type of client base, probably, than I have, than the person sitting next to you has. For the clients you serve, how can you improve how you do things?

So, as I started the conversation, the story of our industry over the next 50 years is going to be diversification of wealth. And we can all serve clients well that don’t look like us, because we want to. And we’re really smart. And we’re good relationship people.

The key is being intentional about how we do it, how we train people to do it in our businesses — and doing it every single day with the support of process and systems around us, because we can’t just think, “I’m going to make good decisions today.” We actually have to put some construct around us that’s going to help us make our lives easier so that we can make sure that every client’s receiving our best service and advice in a way that they want to. And with that, I will open it up to questions.

TOM BOCZAR: Sure. Great presentation. Number of questions about — refers to silent spouse, how to engage. And the observation is made that you could potentially lose a client if we’re not doing these things.

But we’re all typically working as fiduciaries. Isn’t there a risk if you don’t communicate with the client? Can’t you be doing the wrong thing? There could be, actually, a violation.

ADRIENNE PENTA: Yes is the answer. And I think that the most common question, the most common thing that we grapple with, is how do you actually get women in the room. I know every person in this room has had a conversation with a man without another stakeholder that’s a woman. It’s not always that situation, but oftentimes it is in our business.

So, how do you get women in the room when you’re sitting in front of a man? Quick tips that I have tried out — and I think that the — so, when you’re sitting there with your male client and his wife is not present (you haven’t seen her in, like, three decades), what do you say? And I have a lot of clients like that.
And you have to gauge where your relationship is with that client, for sure, and how much political capital you want to expend on this. So, for sure, there are some clients that are just not going to be open to it in any way. And you have to sort of tiptoe around that.

But one of the things I’ve started to say is, “The plan that we’re putting together you’ve spent a lot of time and money on — your estate plan and your asset allocation and your investment plan and philanthropy and how you want your kids to be treated. If your wife isn’t in the room, chances are after you’re no longer here, she can undo the planning that you’ve done. And she can fire us, for that matter. If you like us — you want us to be in the picture, you want your other advisers to be in the picture — she can make lots of changes, because she doesn’t really know us and she doesn’t understand the planning that’s been done.” And we see that happen a lot. I mean, we see that happen in situations where there are just men in the room.

The other part of it is sometimes — it’s just asking. I have a client I worked with for seven years. And I finally said to him, “Doug, I need to meet your wife.” And he said, “Sure. Come to the house for lunch.” I mean, sometimes it’s that simple. And judging on where your relationship is with the client — you can sometimes just ask.

And you know what? Sometimes people of all kinds — they don’t want to come to my office and sit there in their black suit and sort of stiff. Sometimes we have to go to her.

Sometimes we have to talk about things that have nothing to do with what we do. We have to talk about whatever is interesting to him or her and bring the conversation to them. And so, we’ve started doing some of those things, for sure.

**TOM BOCZAR:** What do you do on the flip side, where you have, for lack of a better term, a traditional couple where the husband wants to take the lead. But you can tell from body language that she wants to be included in the conversation, but he’s sort of excluding her. How do you —?

**ADRIENNE PENTA:** Right, yeah, it’s a delicate dance. And I think that you have to make it clear that you will be successful if you have more inclusion, if you have more people at the table actually having a discussion around this, because, as we know, there’s no irrevocable estate plan anymore in the day in which we live. Everybody can decant to Delaware and change whatever trust they want. So, your plan’s not going to stay as you intended it if she’s not on board. Better to hear now rather than after you’re gone. The other thing is litigation. And, I mean, a lot of clients care a lot about that. And we all have stories about what happens to families [where] people aren’t on board, or they’re surprised by what happens after the patriarch dies. So, litigation can spend down pretty much your entire estate if it lasts long enough. And that usually gets men that are wealth creators or see themselves as stewards of wealth over the long term.
TOM BOCZAR: And we talk about the implementation, the training, and the process. What about role playing? Is that something that you have actively — you practice before the meeting?

ADRIENNE PENTA: I think that’s really important. And it has to be about spotting the signals around the table, too. So, your team — it’s usually not just one person going in. Sometimes it is, but usually it’s two or three folks going in to present and have a client meeting. You have to be really in tune with each other and how you’re going to run the meeting.

And one of my big pet peeves is when you have a spouse that’s not really engaged. And she opens her mouth for the first time to say something or to ask a question. And she’s hesitating just a little bit, because she’s not sure — or whatever the case may be. And then the guy sitting next to me is like, “And let me tell you more about our investment in . . .” — and it’s like, oh my gosh, shut up. So, you have to be really careful about how you work together as a team and how you orchestrate and choreograph what’s going to happen.

And silence is not a bad thing in client meetings. We all think, “Jeez, I need to jump in. And I have all these brilliant things to say, so obviously, I’m going to talk right now.” But silence actually allows our client some breathing room to say the thing that’s maybe not as comfortable or allows them the space that they need to get comfortable with talking about some of this really complicated subject matter.

TOM BOCZAR: Is there a difference between the social skills required for relationship management versus business development? Your view — what needs to be done differently to best attract the female?

ADRIENNE PENTA: I think it’s the same. I really do. I think that this is a personal business. This is why — you’re all CFA charterholders, and you have incredible technical skill. But at the end of the day, we live and die by personal relationships in our business.

And I’m sure some of you have seen the data on why do clients leave an adviser. And investment performance is way down the list. It’s like seven, eight, or nine. So, technical skill, for sure, [is] important, but we live and die by our relationships.

And that’s why people hire us, because they can see us as partners. And they can see us living with them through some really hard life events. And I don’t think that there’s any replacement for the personal, both in how you get new business and then how you serve your clients long term.

TOM BOCZAR: In your experience, do you feel that women prefer a female adviser?

ADRIENNE PENTA: I think the data’s really mixed on that. And I really hesitate to say yes or no. I think it depends on the individual sitting in front of you. And even personal preference — it
has to be the right personality match, I think, in our business. It’s not necessarily about male or female or any other variation of personal description. I think it’s really personality driven.

And I think that the key issue for women is really not whether you have a woman or a man sitting in front of you. It’s emotional intelligence. It’s the guy who’s not going to jump in to fill the dead air, who’s going to allow you to actually get what’s on your mind off your mind in a way that’s respectful — [who] asks the right questions and allows there to be a pregnant pause or allows a conversation to go in a way that maybe makes the situation in the room not so comfortable and has the sort of emotional wherewithal to direct that and bring a client through it. And so, I think that’s where a lot of these best practices get to: How can we be more emotionally in touch with what’s going on around the table?

**TOM BOCZAR:** We’ve talked mostly about how to overcome our biases as advisers. Can we as advisers help the clients overcome their biases?

**ADRIENNE PENTA:** That’s probably a more complicated conversation. But we talk about that a lot in our business, because we all make hiring decisions every day. And what’s in the back of our mind when we hire a relationship service person is, will my clients like them? And in a lot of ways, we give ourselves permission to have bias based on what we think our clients’ bias will be.

And in my experience, I think our clients are much more open and tolerant and less biased than we probably give them credit for a lot of the time, number one. And number two, we need a diverse workforce in order to go forth and serve 21st century wealth really well. So, I think that we need to give our clients more credit than perhaps we do.

And I think that there’s subtle re-education over time. I think if it’s not a personality match, it’s not a personality match. And we have to be really respectful of what our clients want, because at the end of the day, they pay us. But I think we need to push the envelope, too.

**TOM BOCZAR:** Besides the gap in serving women, what about serving minorities? Have you looked at that? Probably similar issues.

**ADRIENNE PENTA:** I think there are similar issues. We’re focused on women because they’re 51% of the population. If we can’t get that right, then we have a really big problem. But actually, at the end of last year, we just launched an LGBTQ initiative focused on how do we serve gay men and women and their families really well.

And I think that innate and inherent in all of this is not about a specific person and what classification or where they belong in how we think about the world, but it’s how do we serve everybody well that actually doesn’t fit the mold. And so, I think racial, cultural, ethnic diversity is right there along that.
And we know as an industry that we need to be more racially diverse. I mean, it goes without saying. Gender diversity — we’ve made some baby steps in that direction. I think 16% of CFA [charterholders] are women now. But racial diversity is a huge issue for all of us.

**TOM BOCZAR:** All things being equal — same earnings, age, assets under ownership — based on your experience, do women have a different risk for a fall? Are they just inherently likely to take less risk?

**ADRIENNE PENTA:** So, some of the data will tell you yes. But the data also tells you that women are likely to be more realistic about their risk profile than men are. Men think, like, let it ride. And they’re actually a little bit more risk averse than they actually tell us sometimes. So, there’s that issue.

And then the question is, Why does the data come out showing that women are more risk averse? And I think a lot of it relates back to confidence and the confidence gap in investing that we see. So, in the US, we know that men and women have around the same level — only a couple of percentage points difference — of financial IQ. Our male and female clients basically know the same stuff at the same level, speaking generally about the markets, investing, and making financial decisions.

The men just say they know more. I mean, it’s sort of this natural overconfidence that we see throughout the literature and the scholarship on confidence — that it’s just a gene. It’s how we raise our boys. It’s a good thing for boys.

The question is, how do we create less of a confidence gap? So women know the same amount. But they underestimate what they know pretty significantly all of the time. So, how do we close the confidence gap for women?

That’s what the Center for Women and Wealth is about, really fundamentally. It’s, how do we create relationships? How do we create a really satisfying service environment? And how do we partner with our female clients in order to close the confidence gap? And I think if we can do that, we actually see the difference in risk profile probably minimize a lot.

**TOM BOCZAR:** Well, we’re just about out of time. So, I want to thank you for presenting on a very interesting topic — just terrific.

**ADRIENNE PENTA:** Thank you.

**TOM BOCZAR:** Thank you.

[applause]