

Human-Centric Investing Podcast

Episode 4 - Special Mother's Day Episode

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Featured Guest: Dr. Joseph Coughlin, Senior Strategist Coughlin Partners & Director of the MIT AgeLab

Intro: This is the Human-centric investing podcast with John Diehl where we look at the world of investing through the eyes of clients. Take it away John.

John Diehl: Hello financial advisors. This is John Diehl, senior vice-president of Strategic Markets at Hartford Funds. Welcome to Episode Four of the "Human-centric Investing Podcast". Joining me today for kind of a special off-cycle edition of the podcast is Dr. Joe Coughlin. Joe is the chief strategist of Coughlin Partners as well as the Founder and current Director of the MIT AgeLab. Welcome to the podcast Joe.

Joseph Coughlin: John, thank you for having me.

John Diehl: Absolutely. So today, the reason why it's an off cycle podcast is that it's hard to believe, as we look at the calendar that we're rapidly approaching the month of May and the month of May is a very important month for just about everybody in the United States.

And that's because the month of May contains the holiday we celebrate as Mother's Day. And so as Dr. Coughlin and I were discussing Mother's Day we thought what a great opportunity to discuss the big importance that women are playing not only in our economy but the increasing importance that women are playing in the roles of their families and also the service that needs to be tailored from a financial services standpoint to help serve the needs of this increasingly important demographic.

So Joe, you know, for as long as we've worked together, I guess almost 15 years now, we've often talked about gender roles and about the importance that women are playing in our economy. And so why don't you share with everyone a little bit about why that is and what special characteristics we need to think about in terms of serving the women in our communities.

Joseph Coughlin: Hey John, thank you again for having me. Yes, this is a very important topic and you certainly don't need a PhD to know that there's a difference between boys and girls, so to speak.

But I don't want anyone to walk away thinking that this is a gender specific difference. In fact, it's not about gender as it is about traditional gender roles and that women, frankly, as my wife likes to tell me and my mother told me before that, women frankly, simply do more.

And because they do more they have a much stronger role in the home, in the economy and with all the people that you may interact with. In fact, she is the new longevity client. As we think about retirement, as we think about finance, the things that, she, buys and does every day today, make her perhaps best informed as to what the future and cost of retirement is going to be tomorrow.

But because, at least for now, she is living longer, she is likely, shall we say, to be the one to inherit whatever retirement plan she either contributes to or is made around her.

- John Diehl: Joe, one of the things I often talk to folks about is that in our work together I often learn more from looking at industries and companies outside of financial services as much as I do from companies in financial services.
- From the work that I know the lab does with different industries and looking at different types of research, how is the power of women consumers being reflected in other industries, not just financial services?
- Joseph Coughlin: You know, you'll find this quite interesting because I think our stereotypes, as most stereotypes do, mislead us into believing who is the buyer or the consumer of something.
- Let's talk about this, a number of companies, whether it's Boston Consulting Group, FleishmanHillard and others have done studies to demonstrate that nearly two thirds of the consumer wealth over the next decade will be controlled by women.
- Think about this, she, is the vector consumer, she is the one who controls, not just her house, but she is the influencer of other homes. She is 89 percent of the buyers of consumer electronics. So when she walks through a consumer electronics store like a Best Buy or the like, frankly, she's the queen and perhaps I'm just there to, shall we say, pick up the boxes later on.
- Sixty-five percent of automobile purchases are directly influenced by the female and, by the way, if it is a leisure or luxury car, it is even more likely to be something that she is going to be influencing.
- The one that's always been interesting because we see the home improvement stores out there with pickup trucks and lots of guys going in there on weekend mornings and your thinking this is a male domain when, in fact, 80 percent of all home improvement purchases and decisions – yes, you guessed it – are made by her.
- And perhaps the area that is also the one that would really enforces -- how much she is an influencer on everything we do from beginning of life to, shall we say, end of life. Is that nearly 90 cents on the dollar of every healthcare decision is made by a woman.
- So companies like Johnson & Johnson, Procter & Gamble, Unilever and the like cater to her needs. She is picking the insurance, the doctor, the cotton swabs, the medicine you take. In fact, the phrase doctor mom is not just an advertising phrase it is the reality of what she does in the home.
- John Diehl: Wow, so Joe, you know, one of the things we've talked about, and we'll certainly touch on longevity in a moment in terms of being one of these reasons, but can you take me down the other end of the aging spectrum for a second and describe to me what's happening in terms of female participation in the labor force and anything that we might need to know in terms of women and their educational attainment and what's making them such a powerful force in the economy.
- Joseph Coughlin: You know, the fact of the matter is, John, is that women are now more educated, formally educated, in nearly all fields but engineering and they are likely to eclipse that in the next few years.
- They have earned more bachelor's degrees than men since 1978 and more graduate degrees than men since 1988. Now does the education necessarily make a big difference? Well certainly it gives them a new leg up in the workforce and with opportunities to pursue.

But it also sheds some light on what she does and how to think of her as a consumer and to cater to her needs. Being more educated often makes you more of a researcher. She is nearly twice as likely to go online to do research, not for herself, not just for her home but for other folks.

So when we think about the online social community of the Yelps, the Angie's Lists and the commentary that basically advises people on who they chose as an advisor or as a doctor, as a plumber, as a carpenter, her background as an educator, and as an educated woman, and as a researcher has really empowered her as the new consumer that is making decisions for almost everything you could imagine.

The other thing to think about is that it's not just about education but incomes are not yet at equal levels but they are coming up. In fact, younger women are now outpacing younger men in buying homes, 20 percent of new home buyers are single women, compared to only nine percent of single men in the same age group.

John Diehl: Wow, so Joe as we talk about kind of the demographics of it I want to transition a little bit to talking about the roles that women play in the economy but more specifically, maybe, in their families. And so we talked about increasing educational attainment, increasing participation in the labor workforce but we also know that, generally speaking, women are going to outlive men from a longevity standpoint.

What are the implications, what has changed in terms of the roles that women play and what are some of those topics that today you see that women are particularly keen on learning more about and being educated in and even being connected to resources that can help them in?

Joseph Coughlin: Well one of the things that we certainly know and as it pains me as a Red Sox fan to have to quote a Yankee is, you can see a lot by looking. Women are now in the workforce than ever before, whether it's part time or, certainly full-time.

So she has a number of roles, you know, she is that of a worker. But one of the other things that we're also seeing is that, particularly women over age 45, are among the top three, top five, entrepreneurs out there starting entirely new businesses.

So even if it's a person who recently is now an empty nester or may have left a career with a large company she is not retiring, per se, she may be retiring so that she can do something else. She is, yes, a mother. She is a partner, a spouse, but the other role that she really want to hear about, particularly as she's in the 45 to 55, 47 to 57 range is the role of caregiver.

No one is trained to be a caregiver. And what I mean by that John is she may be caring, not just for her parents, but also for the parents of her partner as well. In fact, she is more likely to have more older people to care for than she had ever planned on having children.

So as a result, basically she's looking for the financial issues, the social issues, the support, the health, all of those things that she has to serve essentially as the advocate, the manager, the systems integrator of managing, not just her house, but the house of her parents and maybe even a third house of her partner's parents as well.

So anything we can do to help her manage those day to day activities today, gets on her agenda, makes her life easier and, frankly, builds a relationship between her and an advisor.

John Diehl: And, Joe, as I talk to folks I think what's interesting is that those roles are not always linear. It's not like we go from the workforce to a role of care giving and then, you know, widowhood, divorce, whatever it might be, aging alone. But what I often see is those – they're not linear.

So she may leave the workforce to provide care for a partner, a spouse or an aging parent but following that care giving role, she may actually rejoin the labor workforce, maybe not in the same role as she did when she left but longevity is giving us an opportunity to shape what that future looks like, isn't it?

Joseph Coughlin: We're actually living in – and I think women, as you know, in my forthcoming book “The Longevity Economy” I have a chapter called The Future is Female. And in that chapter I really discuss that women, because of the power roles they have, are frankly the pioneers of the new frontier of not just living longer but living better.

And she is likely to have a blended life where she is working and providing care at the same. Where she may be providing care full-time to reenter the workforce. She may be mother, caregiver, entrepreneur, spouse all at the same time. Which means anyone who can provide information and solutions and support is a valuable, trusted ally, not just an advisor.

John Diehl: And, Joe, one thing we talk about quite a bit is, in terms of that support, one of the things she would gain by is hearing the stories of others like her, wouldn't she? From a – perhaps from a financial advisor who may be able to share in the context of a story what resources might have been available or what to expect in terms of one of these new roles that she's assuming. Sometimes I think financial advisors overlook that power of the story, especially of a story of someone in a similar role to what I now find myself in.

Joseph Coughlin: Well, John, you bring up a great point and the research that we did together emphasizes that when you look at social media and you look at comment and criticism of all kinds of professionals whether it's doctors, advisors, home maintenance people and the like, the comments that are made by women in particular are relating to the fact that they want to make sure that the person that is supporting them understands them.

And understanding them is not just a matter of doing the numbers and showing a plan or a graph, but literally sharing of stories that show that, and this is a phrase that quite often comes up, that you get me. And frankly, going back to the fact that women are more likely to do research online, trust is a major issue. And the most trusted face in America and particularly online is not necessarily an advisor or someone that is an academic or an expert but rather other people like me.

And that is other people like her online that can identify with a problem she's trying to manage, the resources that she has available, and frankly can feel the stress and the pain that she often has trying to manage two, three, or more households.

John Diehl: So Joe, you've mentioned already the power researcher kind of aspect. You also mention, you know, seeking out the stories of other people like me. If I take just those two things together, it kind of adds up into a recipe where I could see women really becoming power users of technology, really thirsting for knowledge around what technology can do for them. Would you agree?

Joseph Coughlin: Yes, absolutely. I mean, we have again a misleading stereotype of boys and their toys, that men in particular are techies and like their devices. Well, apparently they do like their toys but they're not very good at technology as we age.

In fact, repeatedly we've had studies here in the lab that really look at the fact that women are more likely to adopt and use technology and show an interest in it if, and this is the big if, here's the gender difference, if it has a practical application to improving her or her family's wellbeing, safety, or helping her get things done that she needs to get done every day.

In fact, from the transportation world, we know that she has routinely since 2001, we've been doing these studies, shown more interest for instance in new car technology to enable her to remain safer and longer on the road than men. So apparently men don't like reading maps or taking directions in their youth but we're not much better at using GPS in our older age.

John Diehl: So Joe, it may be the apps and things on our phone but do you see – I mean, I remember what you're saying about women being such a key component of consumer buying decisions. When I start to think about all this new home technology coming on the market whether it's security or lighting or mood or whatever it might be, I guess you would agree that women will become essentially maybe the quarterback of that home technology, no?

Joseph Coughlin: Absolutely. She's going to be the quarterback of the practical technology. And so I think we could see the whole technology marketplace dividing into two areas. If it's the mood lighting or the sound system, probably the male of the house or someone who likes to take that role is more likely to show interest in that.

But if it's around the appliances, the alarm system, assuring that the kids are connected to get their homework done, the very practical applications of technology, she is likely to be the quarterback and she is most certainly likely to be, shall we say, the go-to consumer for these companies who want to get their innovations into people's living rooms.

John Diehl: Joe, I talk to a lot of financial advisors as you know on a weekly basis through the client events and educational events that we, at Hartford Funds, provide for them and one of the questions that always comes up because we always talk about gender differences in terms of approach and market and so on, so forth, but one of the questions that always comes up from both male and female advisors is OK, I get it, I understand it, I actually have seen in my own book that women are becoming a larger and larger portion of my book.

So the question that strikes fear in the heart of male financial advisors and maybe spells opportunity for female advisors is the notion that, well maybe she would prefer a female versus a male advisor. Or maybe she would prefer a male versus a female advisor. Has the lab taken any look in terms of that ideal advisor that a woman may seek information from?

Joseph Coughlin: You know, John, it's interesting and I think a lot of us were presuming that to be the case that men would prefer male advisors, women, female advisors. The research that we conducted of a nationwide sample of adults from 18 and older across all income spectrums indicated that men generally speaking do prefer to speak to a male advisor.

Frankly, in my mind that's their loss. Women interestingly enough did not care. It was a split decision. The most important thing they were looking for was, "Do you get me?" So whether it's a male or female, "Do you understand what I'm planning for, not just simply the secret number I need for retirement?" So it's not a goals-based, object-based planning evaluation that people were choosing a male or a female advisor?

It was a male or female advisor who could understand that I have multiple objectives and most important of those objectives as a woman in those cases are the fact that I have multiple roles and it's not simply about, will I have enough income? No, will I have the income and the resources to do those things that I perceive are my responsibility?

John Diehl: And Joe, in the world of decision-making, another area that you and I've talked quite a bit about, as we think about the difference between how men and women make decisions and maybe some of the reasons behind why, in terms of how long does it take a man versus a woman generally

speaking to make decisions, who are the more thorough researchers, why is that?

What can you share with everyone about the inspiration behind a woman's decision-making process especially as they age?

Joseph Coughlin: You know, it's a very interest to me because the first part of the response always gets men particularly smiling when I tell this story. Women typically take longer at making a decision around finance at least in our laboratory settings that we have seen. And that's, you know, men start to smile.

Well, they shouldn't smile too long, because what we find is that women may take longer in their decisions because they are more thorough researchers, they are more likely to phone a friend, they are more likely to get advice from an advisor whether it's a lawyer, an accountant, a doctor, a pharmacist and then go back all the way through and re-vet that process over again.

And by the way, at least in one laboratory study that we did here, she was more likely to come out with the optimal if not the dead-on correct decision when it came to choosing between things like mutual funds and the like. So she may take longer, she may do more research and talk to more people but if I had to make a bet, I'm putting my retirement in her hands.

John Diehl: So Joe, as we think about an advisor who says, you know, I notice this change going on in my book, it's a market that I want to serve better, it's maybe a market I even want to reach out to a little bit more proactively.

If you were a financial advisor, Joe, and you were thinking about holding some type of a workshop or a client event to attract kind of a female constituency, would you recommend going at kind of a female-only targeted event like a women's night or something like that? Or would you do something else? How would you structure that?

Joseph Coughlin: I would be hesitant to do a woman's-only event, those are certainly being held out there, I'm not sure what the success rate is. I think what's more important is that the topic be relevant and realistic and responsive to what they need at that point of their life depending on the demographic you're going after. So events on care-giving to middle-aged women who are in the throes of care-giving; events on paying for and getting kids into college, for folks who are maybe in their 40s if you will.

And certainly preparing for gee, where am I going to live in my older age? You know, for folks – women that are over age 70, more than 43 percent and goes up to 45 percent for those 75 and older will live alone.

How will we prepare, pay, and adequately live solo? And I would hope that the men in their lives would come to those events as well, but for now, whether it's for better or for worse, those tend to be distinctly female-led issues, discussions, and because she's taking on so much responsibilities.

John Diehl: And so Joe, maybe to sum everything up as we talk about some of the things that we have thought on the podcast today and thinking about Mother's Day coming up, I think whether you're a man or a woman thinking about mom and the role that she plays in your family.

Thinking about what Joe said about technology and the increasing role and importance that it plays for her, maybe something you could think about this mother's day as, you know, what kind of a gift would be appropriate for her even if it's the gift of sitting down with her and showing her how to make use of the technology that maybe we find valuable, technology to help us stay in

touch, technology to help her with a hobby that she might have or access entertainment that she might enjoy?

So just a thought, and by the way, it's not just limited to your mother, it may be of importance to those aging female clients in your book, wouldn't you agree, Joe?

Joseph Coughlin: Absolutely and I think that probably my wife I'm sure would like me to listen to my own research which is the two things I think that can be the best of advice for advisors of any gender, is to listen well, to enable with solutions, and maybe for all of us on mother's day, simply say thank you.

John Diehl: Well Joe, I think that is sound advice and so I want to thank you once again for joining me on the podcast today and for all those who are listening, especially the mothers who are listening, I hope you have a happy mother's day and we will look forward to joining you with our next podcast.

Joseph Coughlin: Thanks so much, John.

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