



Letters to Editor

April 17, 2012

The following is in response to Lisa Kueng's article, [The Top Three Myths about Women Investors](#), which appeared on March 27:

Dear Editor,

In her recent article, Lisa Kueng identified several flawed assumptions that financial professionals often make when serving clients who are women. Among them, that by creating marketing initiatives "designated as being women-focused" or by "focusing on the special financial challenges that women face," financial professionals often overlook the individual financial needs of clients who just happen to be female.

Let me offer another area where financial professionals miss out on all too frequently. Some advisors ignore their women clients altogether. Chances are that women, as part of a couple, already constitute about 50% of a financial professional's business. And while a financial professional may be working to meet a female client's needs, he often does so only through her husband. In our recent study, "Women Are Not a Niche Market. They are a Significant Business Opportunity," we found that even though wives, as part of a married couple, may be clients of an investment advisor – and may have assets separate from those they share with their husbands – many are not invited to face-to-face meetings with the professionals who manage their family's assets.

Ms. Kueng rightly calls out financial professionals for poor messaging. A complete absence of messaging or, for that matter, communication of any kind, can have an equally toxic effect on the advisor-client relationship. Indeed, according to Financial Advisor Magazine. "The Emerging Profile of Women Investors," it is estimated that 70% of married women fire their financial professionals within one year of their husband's deaths. Women who go through a divorce are also very likely to leave their husbands' advisors, a significant business risk for financial professionals when today's divorce rate hovers at 50%, according to the 2009 CDC figures. There is no reason why the wife should not remain with the current investment professional if there is an advisory relationship she considers worth preserving.

In researching the relationships that women investors have with their advisors, we identified several moves that financial professionals can make to better serve their women clients. Ms. Kueng writes that women react negatively to being stereotyped and that they "want their individuality, not their gender to be the focus" of the relationship. While this is absolutely true, financial professionals should also understand that even taking into account individual circumstances, women and men often take different approaches to investing. Financial research routinely shows that, as a group, women tend to prefer lower levels of investment risk than their male counterparts. In a study by the Sullivan Trust, the



percentage of women who describe their investment style as “somewhat aggressive” was less than half that of men (13 percent versus 28 percent). Yet, roughly one in seven single, married, partnered or divorced women describe themselves as “somewhat aggressive” investors. The lesson here is not to assume that women investors will avoid or embrace risk, but to understand how specific circumstances and life experiences can impact the way all clients -- especially women -- view money and investing.

According to a study from the Boston Consulting Group, “Leveling the Playing Field: Upgrading the Wealth Management Experience for Women,” the amount of wealth controlled by women is expected to grow at an average annual rate of 8% from year-end 2009 to 2014 and their influence in long-term financial decisions is only going to increase. Knowing this, we encourage financial professionals to strengthen their relationships with women who are existing clients by focusing on their needs as individual investors, not simply as partners in a marriage. We also suggest that advisors become outstanding listeners and teachers and gain a deep understanding of women’s unique investment requirements, goals and concerns. Such steps can go a long way in redefining and improving relationships with individuals who, collectively, control roughly two-thirds of annual spending in the United States today.

Yours truly,

Maureen Duff
Director
Head of Global Marketing
Pershing, a BNY Mellon Company

The following is in response to Dan Ariely’s commentary, [Taxes and Cheating](#), which appeared on April 11:

Dear Editor,

Dr. Ariely ought to learn more before he offers his opinions. During the years when his tax payments were in question, Mr. Geithner was working for the IMF, a tax-exempt international organization, which does not withhold Social Security or Medicare taxes from its American employees. His accountant in 2001 reviewed his self-prepared taxes and did not spot the error. In 2003 and 2004, his accountant said that Geithner did not have to pay those taxes. This information is from a *New York Times* [article](#).

Geithner did pay all taxes due.



There was no “double standard that allowed Geithner to get away with this entirely,” as Ariely claims. Geithner made a diligent effort to do the right thing, but was misadvised by accountants. The fault lies elsewhere.

The law in this area is very clear: Bad advice is not a defense. Even if you took the advice of a professional, and the professional erred, you are responsible.

Geithner understood this. When his tax returns were published as part of the confirmation process, and someone noticed the error, he did not dispute it. He paid the back taxes, as well as \$15,000 in interest.

The NYT article is clear that Geithner's mistake was understandable. The article says "There was so much confusion about these and related rules that the I.R.S. offered a settlement initiative," said William Massey, senior tax analyst in the tax and accounting unit of Thomson Reuters. "The error is not uncommon, as the statutory provisions governing this situation are very convoluted."

Both Ariely and Geithner are being judged by a single standard –the law. Ariely's understanding that Geithner received different treatment is wrong.

Terry Brennan

As a result of the above letter. Dr. Ariely acknowledged the complexity of the matter and how much we don't know about the details. He he added a few words to his blog post to be more tentative about this issue.

The following is in response to Cove Street Capital's commentary, [The Active Management Game](#), which appeared on April 13:

Dear Editor,

I am writing in regard to the following claim made in this commentary: "A follow-up study by Petajisto (2010) showed that extreme concentration detracts from returns by driving up Tracking Error..."

Given that it is possible to have high tracking error without having high active share, but it is also possible to have high tracking error with high active share, there must be “good” tracking error and “bad” tracking error. How is good tracking error distinguished from bad tracking error? How does high tracking error alone detract from returns without high active share also detracting from returns?



If you have the ability to rank a subset of all stocks as more attractive than the rest (the market), don't you also have the ability to rank your chosen subset according to their attractiveness? Assuming your subset does outperform the market, then shouldn't your most attractive stocks outperform by the most? In which case, shouldn't concentration work in your favor?

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