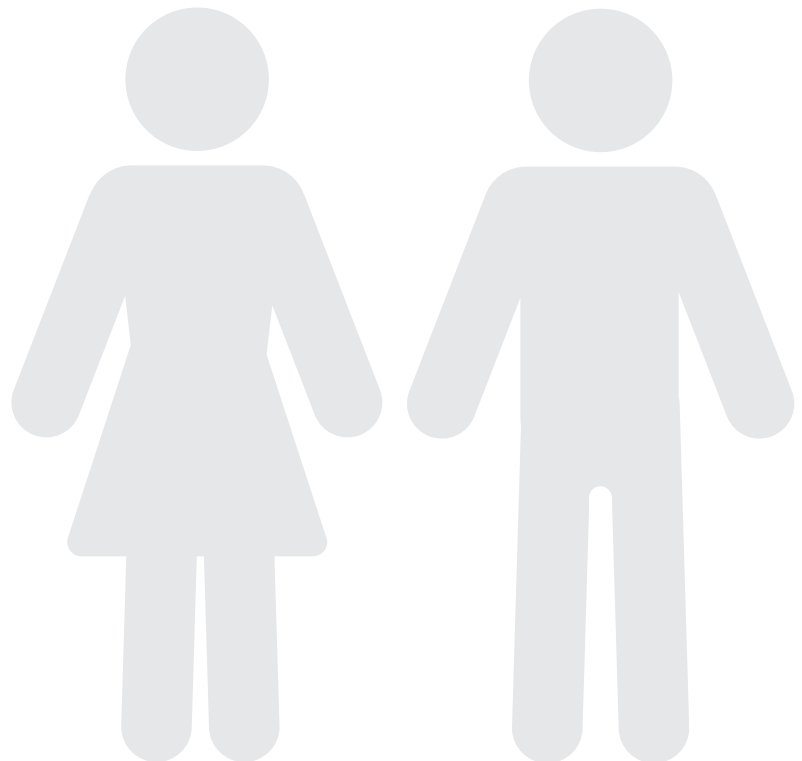


# UBS Investor Watch

Analyzing investor sentiment and behavior / 2Q 2014

## Couples and money

Who decides?



# Do couples really share financial decisions?

Ask couples if they are involved in the family's finances and both men and women say a resounding "Yes!" But "financial decisions" are not the same as investment decisions, and women of all ages do not take as active a role in investing.

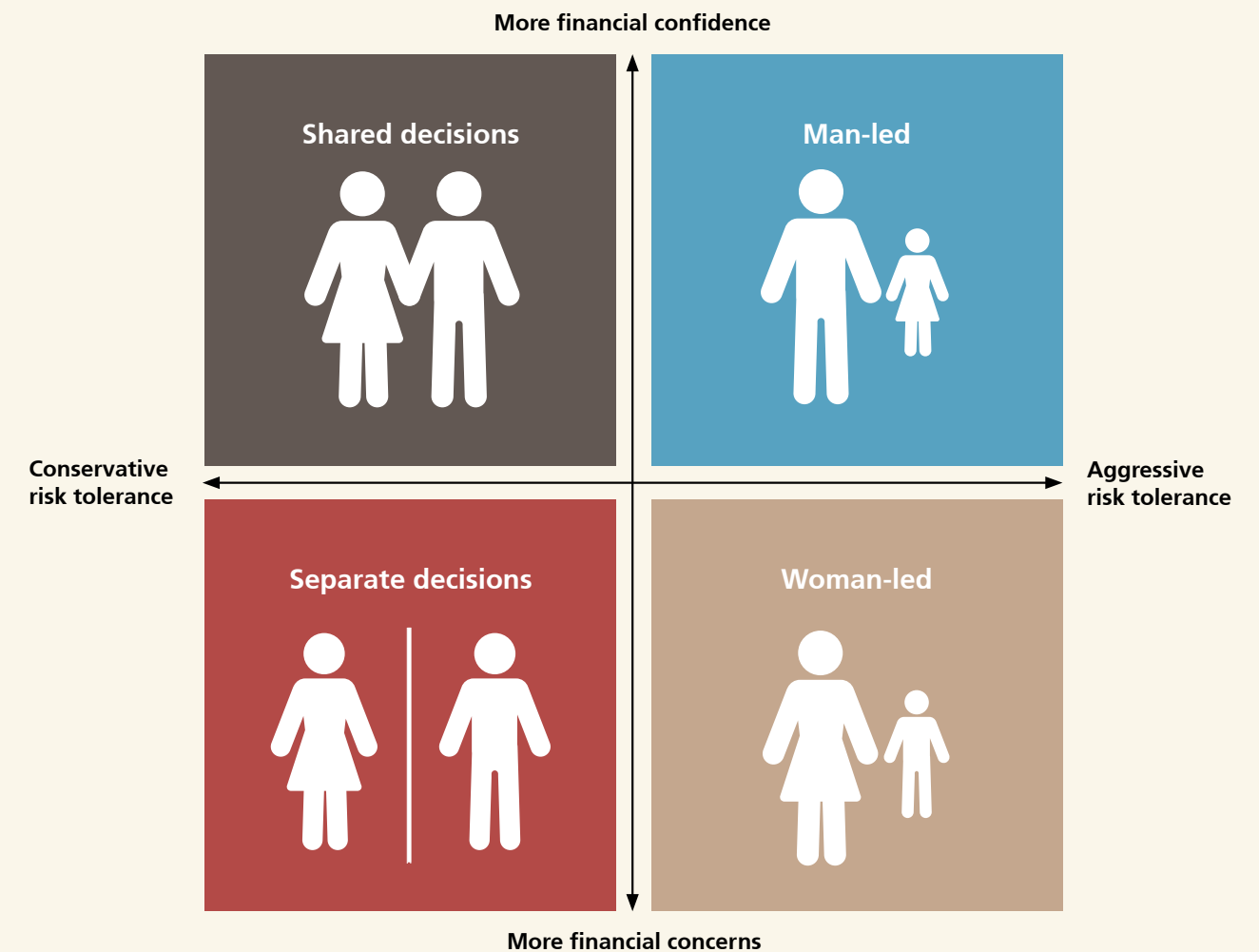
When looking at who does what, there are certain financial decisions typically handled by either the man or the woman, as well as decisions that are shared. Men take primary responsibility for investing, long-term planning and insurance. Women are more likely to manage day-to-day expenses and charitable donations. Paying bills is usually handled by one person, who is equally likely to be either the man or the woman. Decisions about real estate, large purchases, estate planning and college savings are made jointly.

Whether they share or don't share financial decisions, the reality is that money is a hot topic with couples, as women have different views than men, specifically when it comes to risk tolerance, expectations about investing, financial priorities and spending. Fifty percent of couples say that they have differing risk tolerances, with

the majority of women more conservative than men and also holding more cash. Couples say they have different expectations about investing, as men are more likely to try to track or beat the market, and women are more likely to look for a guaranteed rate of return or to track against goals. Couples disagree about what to do with money, with women prioritizing saving and paying off debt and men looking to invest. Thirty-two percent of women and 24% of men lie or hide information about money from each other, with women being twice as likely to have purposely hidden making a purchase from their partners.

There are some differences in how lesbian, gay, bisexual and transgender (LGBT) couples handle financial decisions and think about money. You can read more about LGBT couples on page 15.

**Four kinds of couples and how they decide**  
Someone has to shoulder the responsibility for financial decisions, and this results in significantly different dynamics in how they think about and manage their finances. So, when it comes to couples and money, who decides?



We found that couples handle financial decision-making in one of four ways, which affects how they invest, as well as their financial confidence and optimism:

- the man decides
- the woman decides
- shared decisions
- separate and independent decisions

Surprisingly, neither men nor women enjoy being the exclusive financial decision-maker. This is likely because having responsibility for investing, while still being part of a couple, is difficult. Not only does the primary financial decision-maker need to negotiate different risk tolerances and financial priorities, but investors' perspective on long-term investing has changed since 2008 and can be described as more skeptical, shorter-term and requiring greater involvement.

# 1

## Financial decisions ≠ investing

Nearly all investors (99% of men and 92% of women) say they either make or share in making the overall financial decisions in their households. But that does not give a complete picture of how couples manage money. We looked at 10 core financial decisions: day-to-day expenses, paying bills, large purchases, investing, long-term planning, insurance, real estate, estate planning, college funding and charitable donations.

Interestingly, even when one person has responsibility for more of these different types of financial decisions, there are gender differences. Men are more likely to handle decisions around investing, long-term planning and insurance. Women are more likely to handle day-to-day expenses and charitable donations. Paying bills is usually handled by one person of either gender. Other financial decisions like real estate and other large purchases, estate planning and college funding are generally shared equally.

It is important to note that women in couples do not take as active a role in investing, which is the foundation of financial security. Surprisingly, this holds true for women of all ages—fewer than one in five Millennial (15%) and Gen X (18%) women make investment decisions, usually leaving that to their partners.

### Women are engaged in many wealth management decisions, but not investing

**Question:** "How do you and your partner divide responsibility for the following common financial tasks/decisions?"

#### Man's responsibility

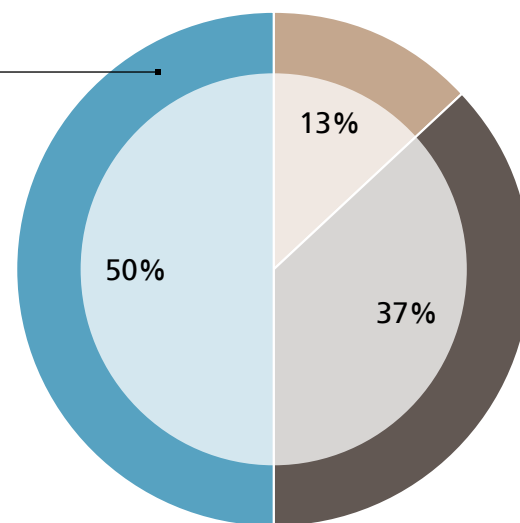
- Investing
- Insurance
- Long-term planning
- Paying bills

#### Equally divided responsibility

- Real estate
- Other large purchases
- Estate planning
- College funding

#### Woman's responsibility

- Paying bills
- Day-to-day expenses
- Charitable donations



The chart shows the percentage of couples who manage **investing decisions** as either the man's responsibility, a shared responsibility or the woman's responsibility.

# 2

## Whether they share decision-making or not, women have different views than men when it comes to investing

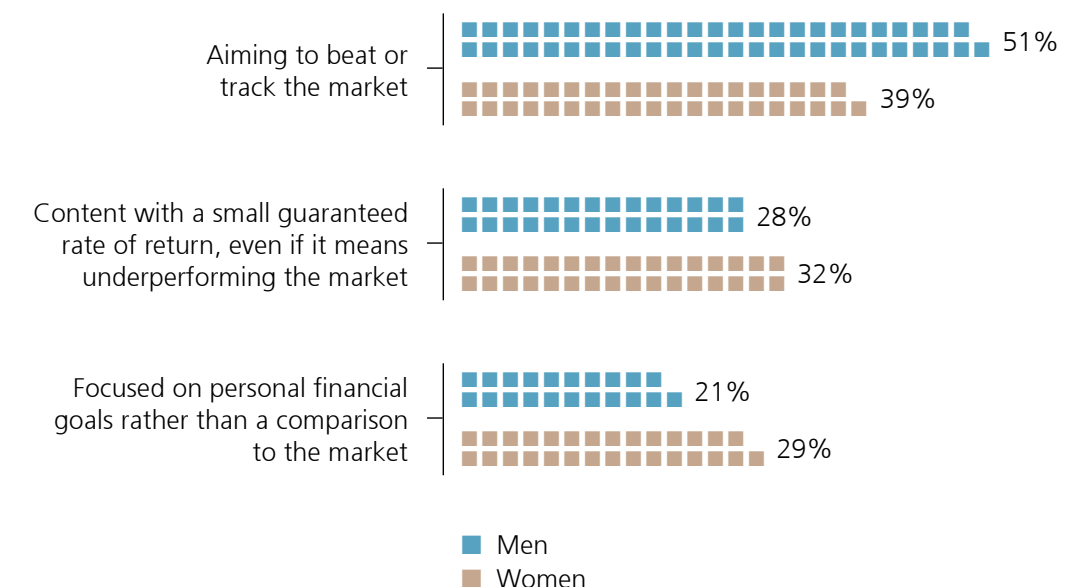
While couples are very involved in their household's finances, most couples are only somewhat satisfied with how they handle these decisions. This is because investing is a critical component and there are gender-based conflicts that are not easy to resolve. In fact, these conflicts may, in part, explain women's lack of engagement with investing.

The first issue is that half of couples have different risk tolerances, with the male typically having a higher risk tolerance than the female. Couples try a variety of approaches to deal with this, most commonly: separating accounts so they can each use their own risk tolerance (less satisfying), use the male's risk tolerance or choose a risk tolerance in between their individual levels (most satisfying).

Couples also tend to expect different results from investing. Men are more likely to aim to beat the market or track the market (51% of men vs. 39% of women), while women are more likely to either be happy with a small guaranteed rate of return even if it means underperforming the market (32% of women vs. 28% of men) or focusing on how they are doing toward goals, and not comparing to the market (29% of women vs. 21% of men). Women hold 29% of their assets in cash compared to men, who hold 22%.

Lastly, couples disagree about what to do with extra money—the man is more the "investor," and the woman is more the "saver." If given additional money, men are more likely to say they would invest it immediately or hold for an investment opportunity (51% of men vs. 41% of women), while women are more likely to pay off debt or increase savings (44% of women vs. 35% of men).

### Men and women have different approaches to investing

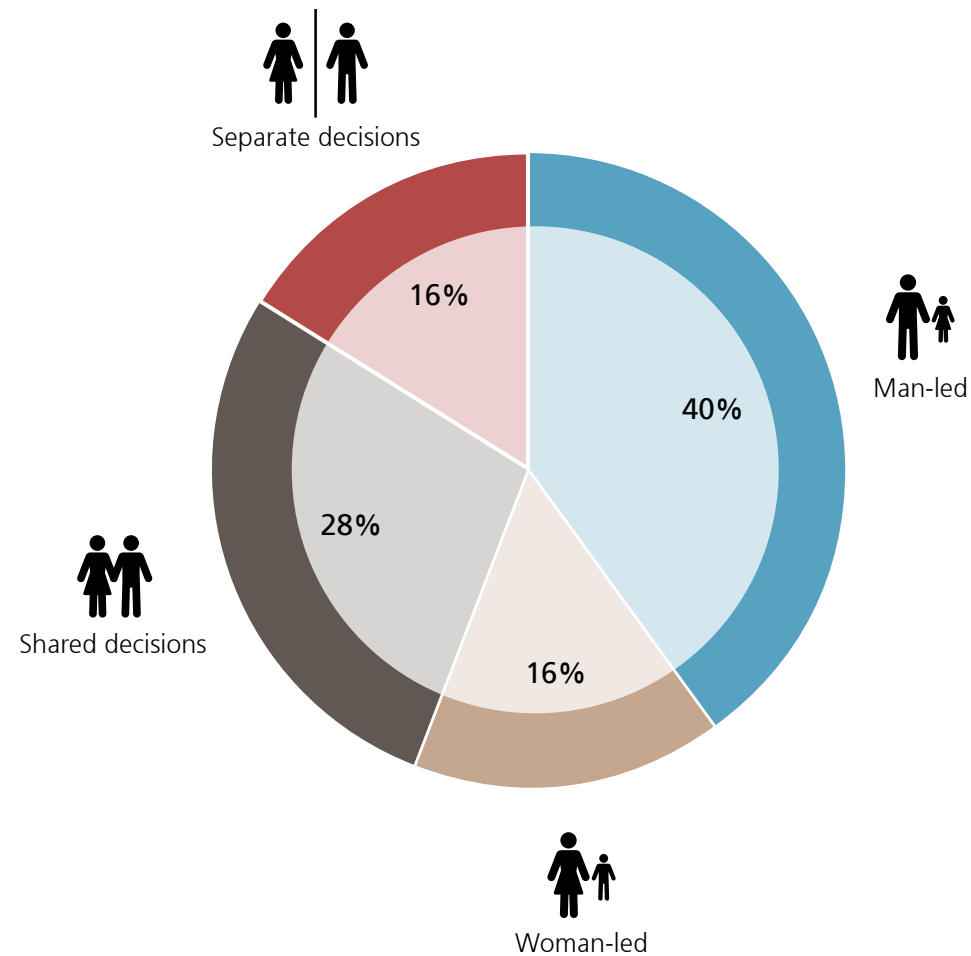


# 3

## Someone has to shoulder the responsibility for financial decisions

Even though there are general gender differences in risk tolerance, investment approach and inclination to invest, the distribution of decision-making has a big impact on how people view their finances and ultimately on how couples make decisions. Couples fall into four general decision-making patterns: Man-led, Woman-led, Shared decisions and Separate decisions—where each partner makes their own decisions and holds separate accounts.

### Couples approach financial decision-making in one of four ways



The way a couple makes financial decisions affects how they invest, how they work with their financial advisor, how confident they are about their financial futures, as well as how much they argue about money. We will look at the four couples in more detail on the following pages.

# 4

## The man takes on the primary financial decision-making role for 40% of couples

This approach is most common among older couples. Half of WWII generation couples fit this format, but other generations also take this traditional approach—Boomers (41% of couples) and Gen X investors (39% of couples). In these households, the male is nearly always the primary breadwinner, the breakdown of household tasks tends to follow traditional roles and these couples are the most likely to have children.

Men make the decisions on all financial topics for these couples, except for three areas where decisions are shared equally: day-to-day expenses, large purchases and real estate purchases. On the topic of investments, 83% of men take the lead, compared to 2% of women, and 15% where the responsibility is shared. Both the men and women in these relationships are generally satisfied with the role they play in financial decisions and with their relationships overall.

However, there are some important issues this type of couple must contend with. Since the man takes the lead on finances and especially investments, he meets much more regularly with their financial advisor on his own. And even when the couple meets with their advisor together, the woman is frequently less engaged in the conversations.

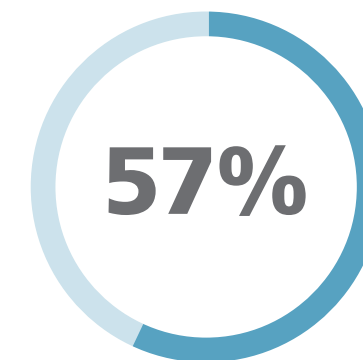


**“I take a back seat to my partner and advisor. My partner does more research; I listen to the two of them and then say just go conservative. I’m satisfied with that level; when I have questions or concerns, I speak up and am always listened to.”**

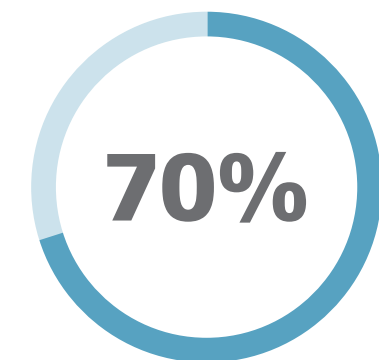
These couples are the most likely to have differing risk tolerances—half the time the man has a higher risk tolerance than the woman. In most of these cases, the couple winds up just using the man’s more aggressive risk tolerance, and the woman’s financial views are frequently not incorporated into the couples’ financial planning.

### Man-led households default to the man’s risk tolerance

Percentage of Man-led households where partners have different risk tolerances



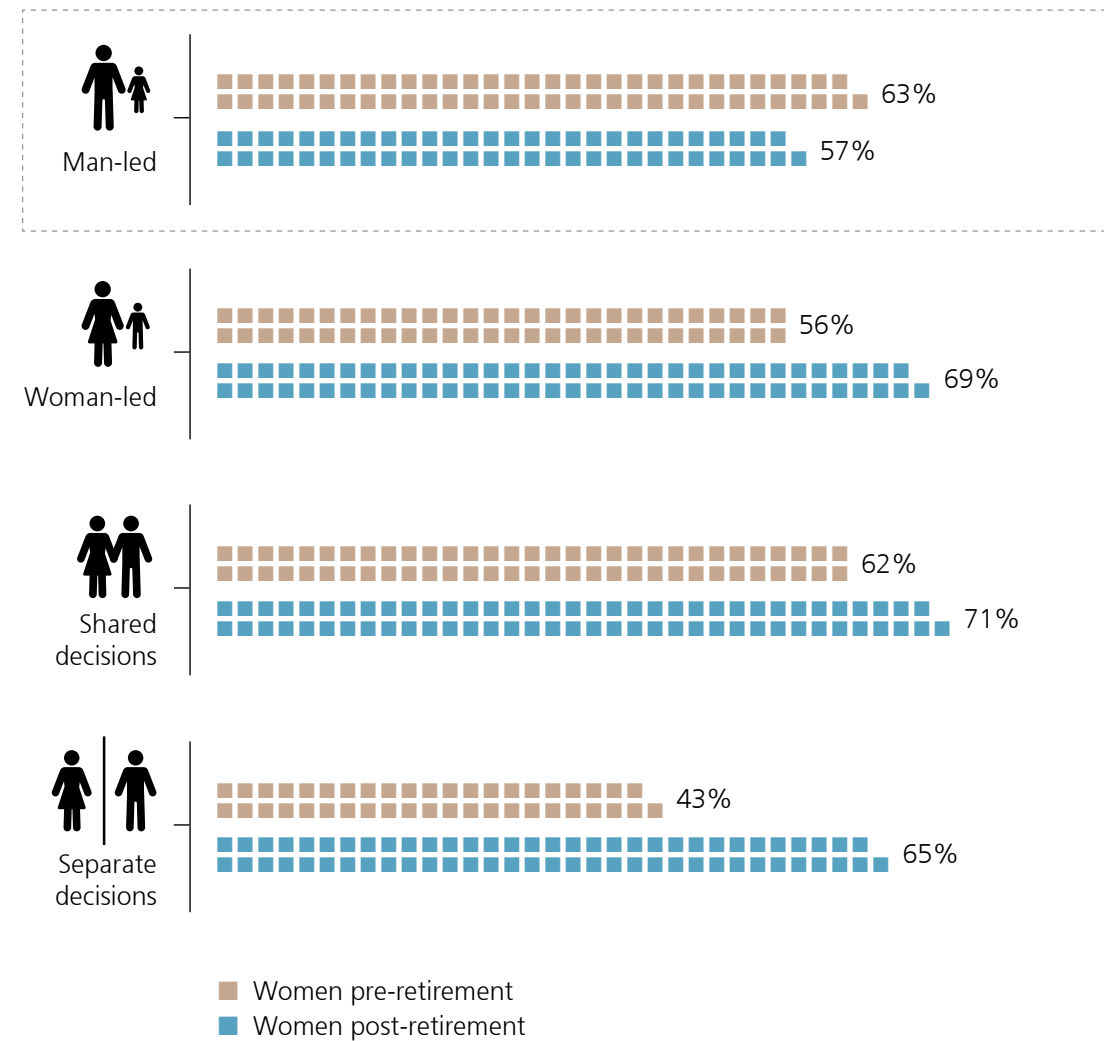
Percentage of Man-led households where couple uses male’s risk tolerance



While these women are mostly satisfied with their choices to be less involved in investing and long-term financial decision-making, there is a risk to doing so that manifests itself in retirement. Facing longevity and the likelihood of being responsible for financial decisions in the future, retired women in these couples are significantly less confident and more worried about their financial futures than women who are a primary or shared decision-maker.

### Women in Man-led couples feel least positive about their financial situation in retirement

**Question:** "How do you feel about your overall financial situation today?" (Percentage of women who feel excellent or very good about their financial situation.)



# 5

## Women who serve as the primary decision-maker are in the minority—only 16% of all couples

Even though women are the primary decision-maker, only 34% of Woman-led couples include a female breadwinner, and 48% of these couples still have a male breadwinner. Woman-led couples also tend to be younger.

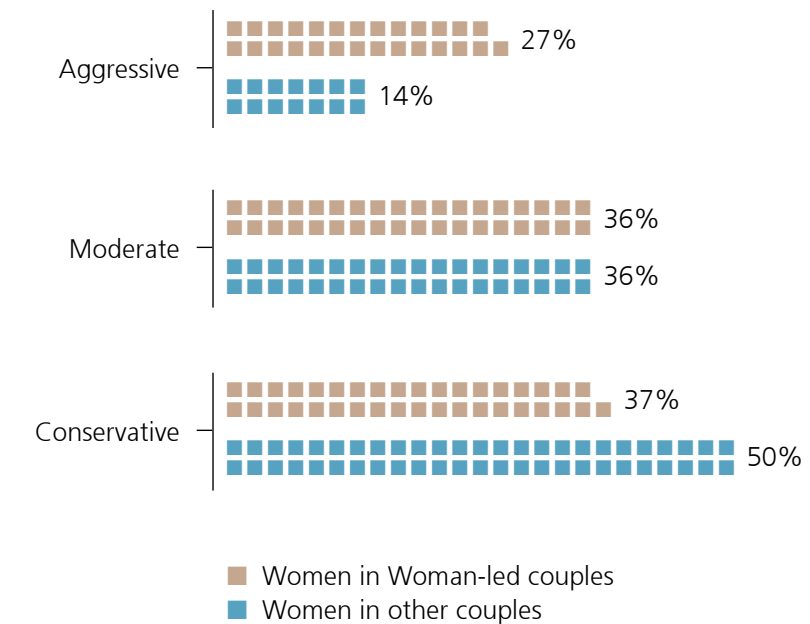


**“My husband earns much more than I do. But I am the one who is making the majority of investment decisions. I think it has to do with balance of responsibilities and personal choices.”**

Interestingly, women who are primary decision-makers have a risk tolerance that is more aggressive than other women. When a conflict in risk tolerance arises between partners, the couple tends to follow the woman’s risk tolerance.

### Women in Woman-led couples have a more aggressive risk tolerance

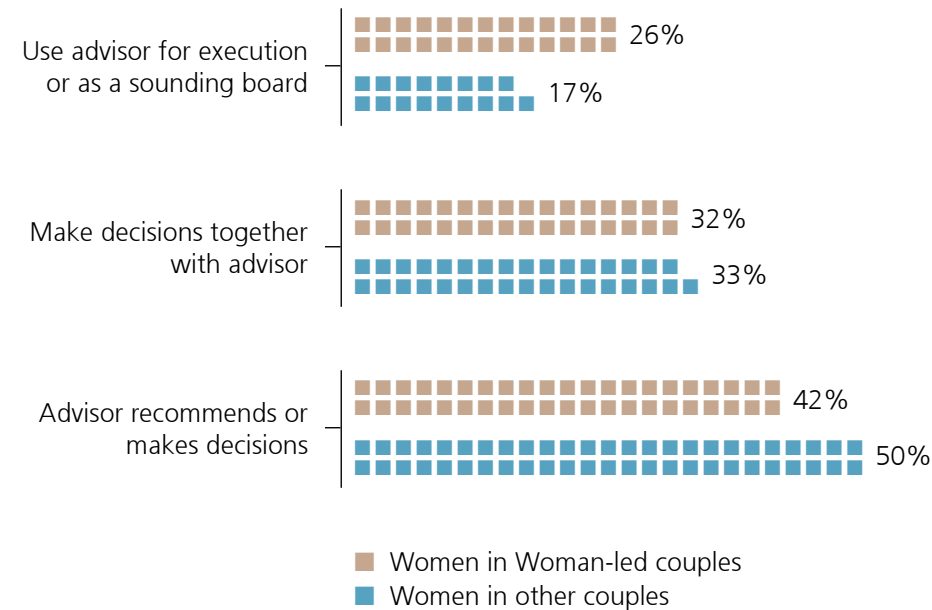
**Question:** "How would you classify your risk tolerance?"



Women who serve as primary decision-makers also tend to use the advisor to ratify their own decisions, rather than seeking more specific guidance.

### Women in Woman-led couples use their advisors as sounding boards

**Question:** "Which of the following comes closest to describing how you manage your finances and make decisions about your investments?"



A woman who is the primary financial decision-maker tends to be most dissatisfied with the distribution of financial roles. This could be due, in part, to the fact that these women also have all the traditional household responsibilities too. However, on the bright side, women who make most financial decisions end up feeling relatively positive about their financial situation in retirement. They also become least worried about outliving their assets once retired.

# 6

## One in four couples truly share their financial decisions

Most people initially say they are at least as involved in financial decision-making as their partners. However, only 28% of couples truly share responsibility in financial decisions. These couples feel they share financial decision-making equally overall, and make most types of financial decisions together. In fact, the only area where they don't share the decisions is paying bills, which women are more likely to do. These couples are the most satisfied with how they make financial decisions, have the fewest personal finance concerns and feel most confident about achieving their financial goals.

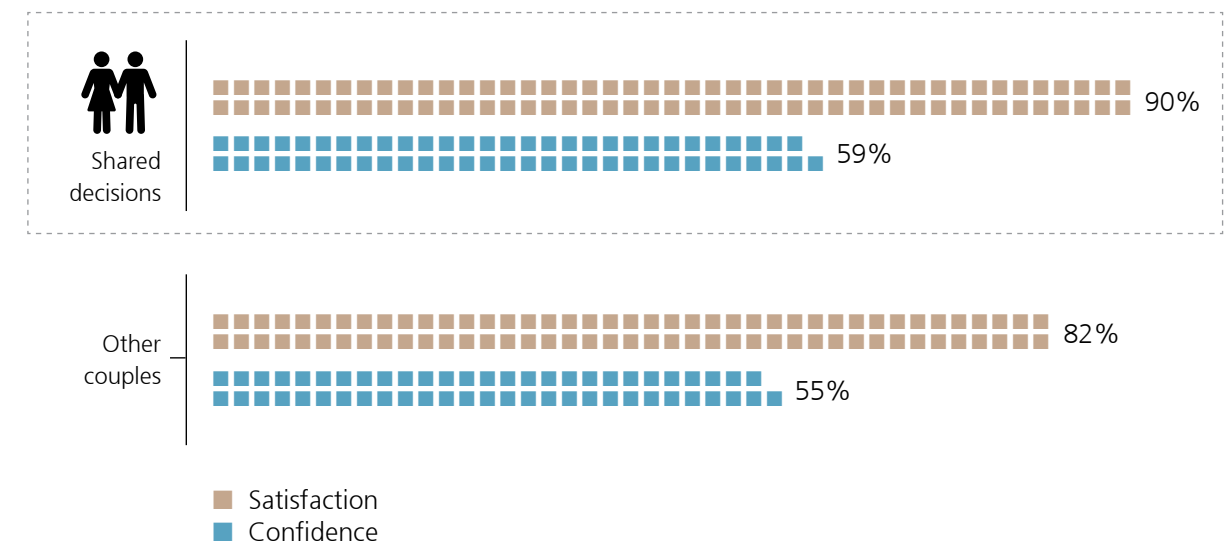
These couples are the most likely to have the same risk tolerance as each other (64%). When they don't have the same risk tolerance, couples who share financial decisions usually resolve this by picking a risk tolerance in between theirs. This compromise results in greater satisfaction.



**"We always come to some compromise. After 30 years of marriage, we have learned how to negotiate."**

**Shared-decision couples feel most satisfied with how they make financial decisions, and most confident about achieving financial goals**

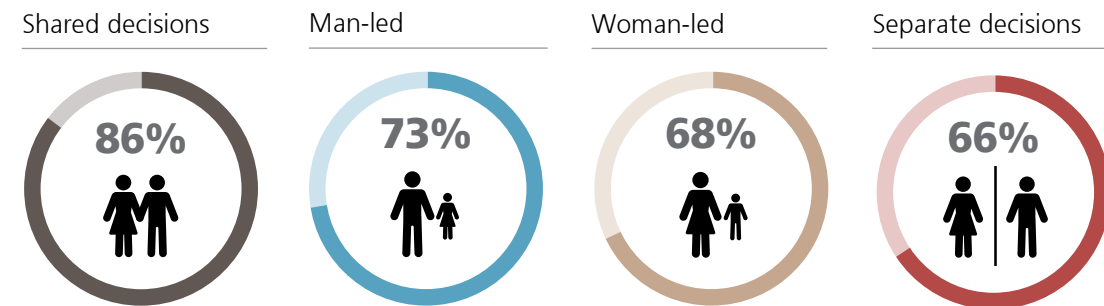
**Question:** "How satisfied are you with the distribution of responsibility on financial tasks/decisions between you and your partner? How confident are you today that you will be able to achieve your financial objectives for the future?"



When looking at expectations around investing, Shared decision-makers are more likely to look for a guaranteed return or track to goals than other couples. They tend to have the same amount of interaction with their advisors, feel their advisors engage equally with them (86%), and tend to rely more on their advisors' advice (whereas both male deciders and female deciders are more likely to use their advisors as a sounding board or for execution only).

**Shared-decision couples are most likely to report that their advisor engages with both of them equally when they meet with their advisor together**

**Question:** "When you and your partner meet with your advisor, do you feel your advisor is more engaged with you, your partner or both of you equally?" (Percentages represent those who reported equal engagement by a financial advisor.)



Ultimately, investing together is good for the relationship. Couples who make investing decisions jointly feel the most positive about their financial situation before and after retirement. They are also least likely to have disagreements about money.

# 7

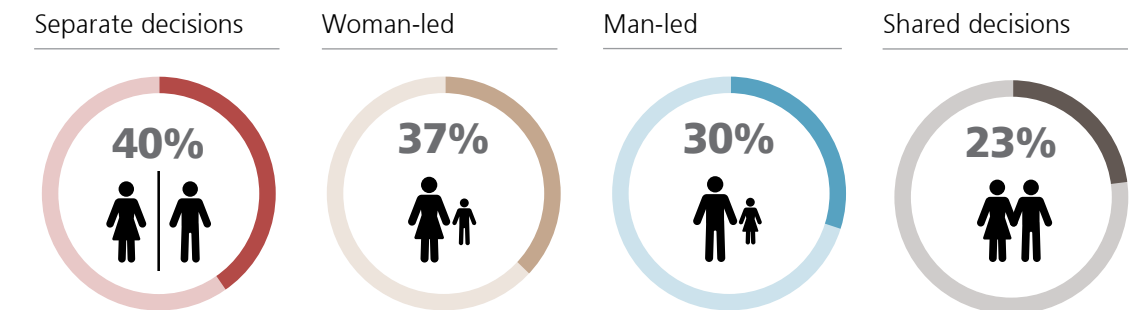
## A small group of couples divide their finances into "mine" and "yours" and sometimes "ours"

Another minority—16% of couples—separate all financial decisions. Forty-three percent of these couples have separate bank and investment accounts—"my money" and "your money." Fifty-seven percent also maintain "our money" accounts, with bank accounts more likely to be joint. Couples manage their separate accounts independently and largely without consulting the other. The fact that they are the least likely of all couples to have meetings with their advisor together is an example of this independent thinking. If they have any "our money" accounts, they have stricter rules around those accounts than other couples with joint accounts, setting up allowances to manage their spending. And they are fairly disconnected from that joint account, for example, being much less likely to know the account's password.

Reflecting the lack of communication and collaboration about financial matters, these couples are more likely to argue about money, as well as lie about or hide information about money.

**Couples who make separate decisions on finances argue most about money**

**Question:** "How often do you have disagreements with your partner on money/finances?" (Percentage who argue at least every few months.)



Millennials, unmarried couples, LGBT couples, those on their second or third marriage, couples with an age gap and those with pre-nuptial agreements are more likely to manage their finances in this way. These couples are the least satisfied with the distribution of roles on finances and argue more about money.



"Sometimes we spend money on our own children that the other does not think appropriate. I take my children on vacation (without him) and pay for them, and he would not do that with his children."

# 8

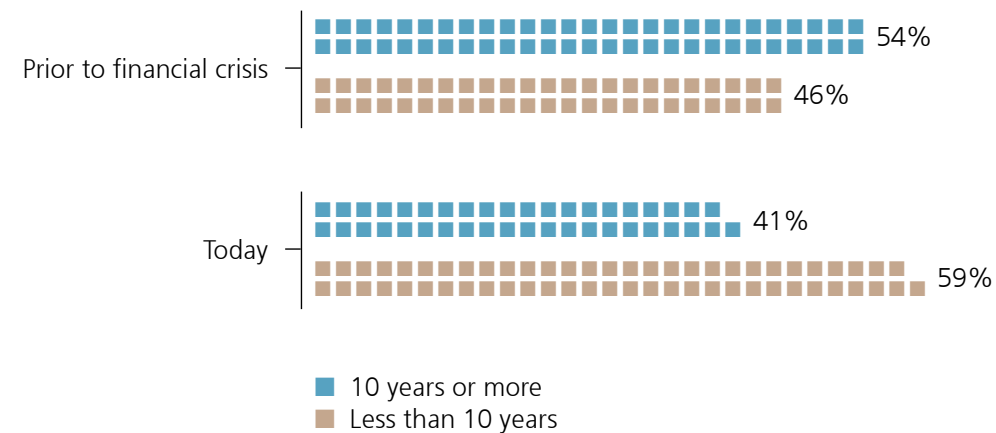
## Nobody wants to shoulder the responsibility for financial decisions on their own

While most couples have one partner with primary responsibility for financial decisions, neither men nor women prefer having this responsibility on their own. Couples are most satisfied with their decision-making roles when they share financial decisions equally. This is likely because:

- Investing is a juggling act where couples frequently have different risk tolerances, and resolutions for this are often unsatisfying. As mentioned previously, this issue is particularly prevalent among male deciders and couples who make separate decisions.
- Managing long-term investing is much more difficult since 2008. The majority of investors have become more skeptical about long-term investing. The time frame for long-term investing has shortened from more than 10 years to less than 10 years. Long-term investing now requires more active involvement: “buy-and-hold and forget it” is now “buy-and-hold and track it.”

### The time frame for long-term investing has shifted from more than 10 years to less than 10 years

**Question:** “Prior to the financial crisis in 2008/2009, what did you consider to be the time frame for long-term investing? Today, when you think about long-term investing, what do you consider to be the time frame?”



## LGBT couples—aggressive, optimistic, but separate investors

LGBT couples are more likely to take a Separate-decision approach when it comes to money, specifically account structure and making independent investment choices. While there are many reasons why couples might choose to separate their accounts, as noted earlier, differing risk tolerance is one of the most common disconnects for couples. When LGBT couples disagree about risk tolerance, they are more likely than heterosexual couples to separate their accounts so they can each use their own risk tolerance. LGBT couples overall have a more aggressive risk tolerance than other couples. Thirty-two percent say they are at least somewhat aggressive, compared to 21% of other investors.

### LGBT couples are more likely to deal with different risk tolerances in their relationship by separating their investment accounts



They are also considerably more optimistic and confident financially than heterosexual couples. They have a more optimistic view of their own finances, and are also significantly more confident about their abilities to achieve their financial goals. As we reported in the LGBT special edition of *UBS Investor Watch* (4Q 2013), there may be many factors at play, but the DOMA ruling—and the profound emotional and financial impact—is likely one cause of this financial optimism and confidence.

LGBT couples are significantly more involved with investing and the markets compared to heterosexual couples. LGBT couples make decisions about buying or selling investments frequently (62% of LGBT couples vs. 39% of other couples). They also indicate that they are more involved with managing investments now compared to before the financial crisis, with 54% of LGBT couples being more involved in managing investments now compared to 41% among other couples. And LGBT couples are more likely than heterosexual couples to want to beat the market (33% of LGBT couples vs. 15% of other couples).

This greater involvement with investing translates into LGBT couples’ perspective on cash. While LGBT couples hold slightly more cash than heterosexual couples (28% vs. 25%), they are more likely to be looking for investment opportunity. When asked what they would do with a new influx of cash, 58% of LGBT couples say they would invest immediately or be looking for an investment opportunity compared to 46% of heterosexual couples.



**About the survey:** UBS Wealth Management Americas surveys U.S. investors on a quarterly basis to keep a pulse on their needs, goals and concerns. After identifying several emerging trends in the survey data, UBS decided in 2012 to create the *UBS Investor Watch* to track, analyze and report the sentiment of affluent and high net worth investors.

*UBS Investor Watch* surveys cover a variety of topics, including:

- Overall financial sentiment
- Economic outlook and concerns
- Personal goals and concerns
- Key topics, like aging and retirement

For this seventh edition of *UBS Investor Watch*, 2,595 U.S investors, who identified as being married or living together, responded to our survey from March 27 - April 1, 2014. Of those, 3% identified as LGBT. The core sample of 1,260 investors has at least \$250,000 in investable assets; 1,046 have at least \$1 million in investable assets.

This *UBS Investor Watch* includes an oversample of Millennial couples: 405 Millennials identified as being married or living together; respondents, ages 21-29, have at least \$75,000 in household income or \$50,000 in investable assets; respondents, ages 30-36, have at least \$100,000 in household income or \$100,000 in investable assets.

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