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Chief Investment Office GWM
Investment Research

Women and investing

Planning for your legacy

UBS

Editorial

Passing on wealth to others is a key objective of many families and investors. Whether this is to heirs, charities or others depends on each individual's objectives and how they define what they want their legacy to be. A Legacy strategy helps investors understand how much they can devote to goals that extend beyond their own lifetime and how best to achieve these goals. By separating Legacy strategy resources from the rest of their portfolio, investors can effectively and confidently invest them to maximize growth for future generations and for doing good. The Legacy strategy may also incorporate their passions and values, and helps to ensure that they will persist for generations to come.[1]

Women are inclined to perceive and value wealth mainly as a source of security, and tend to focus on being financially secure and able to afford a certain lifestyle for themselves, but also for their loved ones over the long term. Additionally, the word 'legacy' often means more than passing wealth down to the next generation—it also means being capable of positively impacting the lives of others.[2]

In this publication we will be focusing on the goal of legacy: how women investors define legacy, their concerns, how they can best allocate their resources to meet their objectives, and how it is important that they also put a financial plan in place for the smooth transfer of their wealth.

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See references on page 15.

Planning for your legacy

The percent of women versus men that...

■ **Women** ■ **Men**

...do not know **how much wealth** they can pass on to the next generation (page 5).

Women: 56%
Men: 47%

Source: UBS Investor Watch survey 2022

...are interested in receiving advice around investing in **illiquid assets** (page 8).

Women: 61%
Men: 50%

Source: UBS Investor Watch survey Q2 2021

...plan to leave **artwork** to their heirs (page 9).

Women: 32%
Men: 26%

Source: UBS Investor Watch survey 2022

...take **sustainable considerations** into account when investing (page 10).

Women: 71%
Men: 58%

Source: UBS Investor Sentiment survey 2020

...have spoken to a financial advisor about **charitable planning** strategies (page 11).

Women: 14%
Men: 20%

Source: Women and Giving, Fidelity Charitable, 2021

...do **not talk openly with their family** about financial issues (page 12).

Women: 45%
Men: 50%

Source: UBS Investor Watch survey 2022

...claim that **having a professional to facilitate** would help ease discussions around inheritance plans (page 12).

Women: 59%
Men: 54%

Source: UBS Investor Watch survey 2022

...found the pandemic to be an opportunity to have more meaningful **end-of-life conversations** with their heirs (page 12).

Women: 72%
Men: 66%

Source: UBS Investor Watch survey 2022

...intend to leave an inheritance but do **not have any plans** in place to do so (page 13).

Women: 55%
Men: 41%

Source: Poor planning means women pay more inheritance tax, FT Adviser, Oct 2021

...do not understand the rules around **inheritance tax** (page 13).

Women: 37%
Men: 25%

Source: Poor planning means women pay more inheritance tax, FT Adviser, Oct 2021

...have **life insurance** (page 13).

Women: 47%
Men: 58%

Source: Facts about Life 2021, LIMRA

...are increasingly interested, due to COVID-19, in giving more of their wealth away to heirs **while alive** (page 13).

Women: 66%
Men: 63%

Source: UBS Investor Watch survey 2022

Chapter 1

Legacy goals

Women tend to perceive and value wealth mainly as a source of security and tend to focus on being financially secure and able to afford a certain lifestyle for themselves and their loved ones over the long term. Additionally, for women, legacy often means more than passing wealth down to the next generation; it also means being capable of positively impacting the lives of others.[2] There is a tendency for women to invest with purpose, where purpose represents both their goals as well as their values and impact on society.[2] For example, they may want to help finance the next generation's business ventures, or provide for a first family home. They may also have a passion for a certain cause and would like to use their wealth to make a difference but may not know whether such goals conflict with their objective of passing on wealth to the next generation. A personalized plan would help better understand and meet these objectives.

When thinking of legacy, a thoughtful conversation can help investors to discover relevant goals:

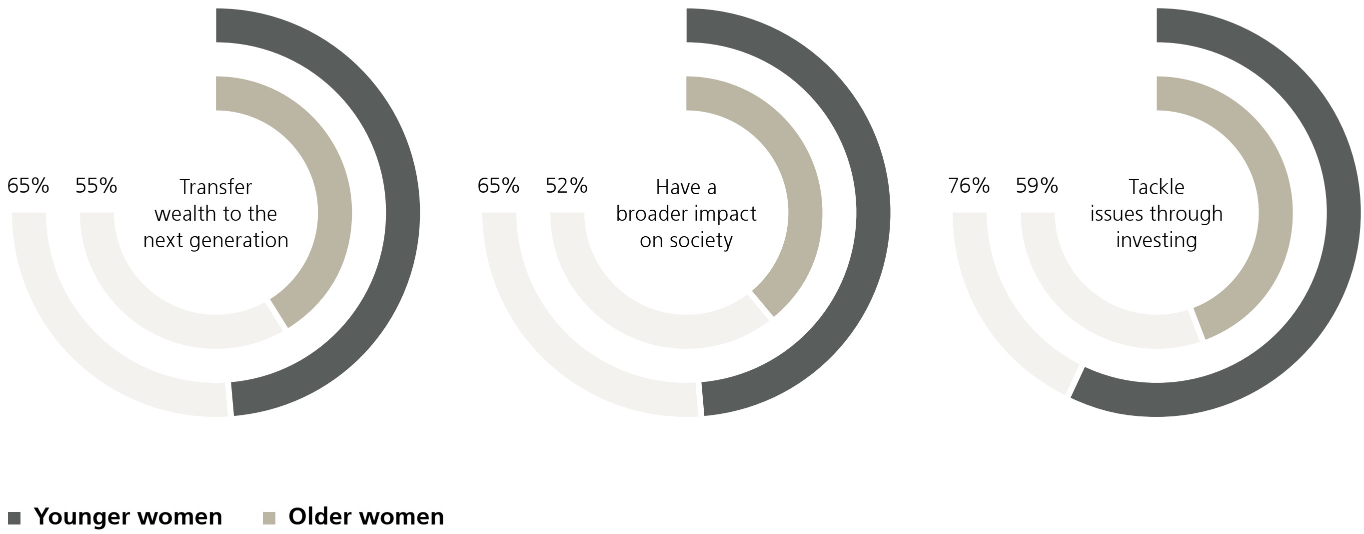
- ✓ How do I want future generations to benefit from the family's wealth?
- ✓ What are my philanthropic goals, if any?
- ✓ Would I want to invest in ways that positively impact the world?
- ✓ Is there a certain minimum amount that I want to pass on to my heirs? Is there a maximum?
- ✓ Do I want to help my heirs financially while I am still alive?
- ✓ Should I separate my investments from our family business assets? Or should our investments complement these assets?

See references on page 15.

There are generational differences in terms of how women define what they want their legacy to be. In a recent survey by RBC, younger women more so than older women have a greater belief that they have an obligation to transfer wealth to the next generation (65% vs. 55%) as well as wanting to have a broader impact on society (65% vs. 52%) and tackling societal issues specifically through investing (76% vs. 59%).[3]

According to data from our 2022 UBS Investor Watch survey, 56% of women (vs. 47% of men) do not know how much wealth they can pass on to the next generation,[4] highlighting the importance of planning. Given gender differences in i) how legacy is defined, ii) investment preferences and the approach to investing (as described in our report "Reimagining Wealth Advice") iii) as well as differences in longevity, attention needs to be given on how women can best allocate resources to achieve these multigenerational objectives. This includes looking at how best to invest in order to grow and protect wealth, how best to invest to align to your values, as well as considerations regarding establishing a plan where women can transfer their wealth to their heirs, or others, in line with their goals.

Generational differences in what women want their legacy to be



Source: The new face of wealth and legacy: How women are redefining wealth, giving and legacy planning, RBC

See references on page 15.

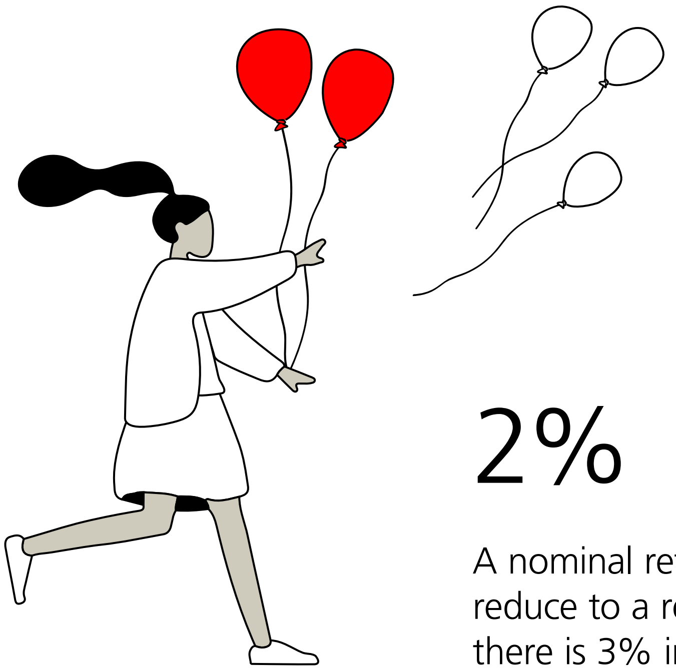
Chapter 2

Investing for your legacy goals

Why is it important to invest?

Preserving, or better growing wealth through investing is necessary, otherwise there will be wealth erosion through inflation, taxation, and consumption over the generations. It's important to distinguish between real and nominal returns. Inflation is a measure of the changing costs of goods and services across the economy. A nominal return of 5% will reduce to a real return of 2% if there is 3% inflation. So, if an investor's main goal is to preserve the capital's real purchasing power, only 2% is available for spending. Over the years and across generations, that spending power can diminish dramatically. Inflation rates can be a helpful starting point for forecasting future spending, but it is important to consider that each investor's personal spending composition will be different to the mix of goods and services used by an inflation index. Furthermore, as a family grows, the real return on its investments will need to meet the needs of more people. Future generations may also expect the same lifestyle as previous generations. However, they may not be able to depend on the same resources—unless the family can increase the real return on its assets.

Therefore, there is a need to invest in assets that generate positive and growing returns. The aim of the Legacy strategy is to pass on assets that go beyond their lifetime needs for the next generation, or to use them for other favored causes. A Legacy strategy therefore focuses on maximizing the value of transfers to future generations and to make a positive impact on society.

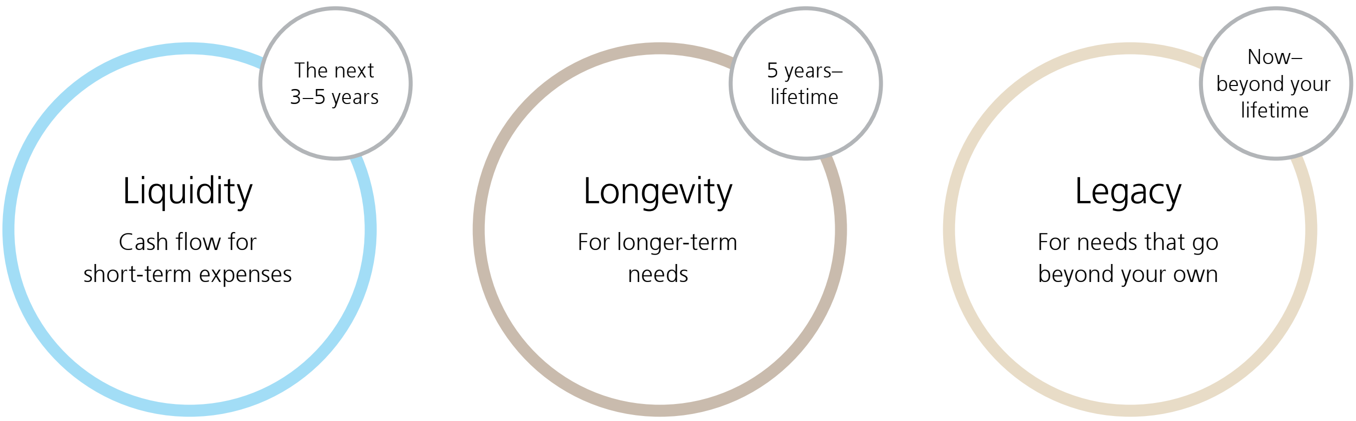


2%

A nominal return of 5% will reduce to a real return of 2% if there is 3% inflation.

How to invest

To identify the appropriate size and investment approach for the Legacy strategy, it is important to look at the entire wealth plan and how assets can be allocated to meet investors' needs. The UBS Wealth Way framework helps investors develop an investment strategy optimized for their goals and objectives. It can also help investors understand clearly where their money is—and why. Once investors have defined and funded strategies for short- and medium-term cash flow needs (the Liquidity strategy) and lifetime goals (the Longevity strategy), investors can invest the remaining wealth in their Legacy strategy.



UBS Wealth Way is an approach incorporating Liquidity. Longevity. Legacy. strategies that UBS Advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different timeframes. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment. Timeframes may vary. Strategies are subject to individual client goals, objectives and suitability.

40%

Our standard guidance for the Legacy strategy is to allocate up to 40% to private markets.[5]

The Legacy strategy does not focus on immediate cash flows. Instead, it focuses on maximizing and preserving wealth for future generations. Without the need to sustain withdrawals, regardless of market conditions, the Legacy strategy has an inherently higher capacity for risk than the Liquidity strategy or Longevity strategy resources. For a Legacy strategy, short-term volatility is less relevant to the overall health of the portfolio and the shortfall risk (likelihood of dropping below the initial wealth level) will be lower. The multigenerational time horizon also allows more flexibility for using illiquidity as a source of potential returns. A higher proportion of illiquid assets (where permissible by local jurisdiction) like illiquid hedge funds, private equity, infrastructure, and real estate can therefore be incorporated in such a portfolio, offering the potential for a higher risk-adjusted return potential.

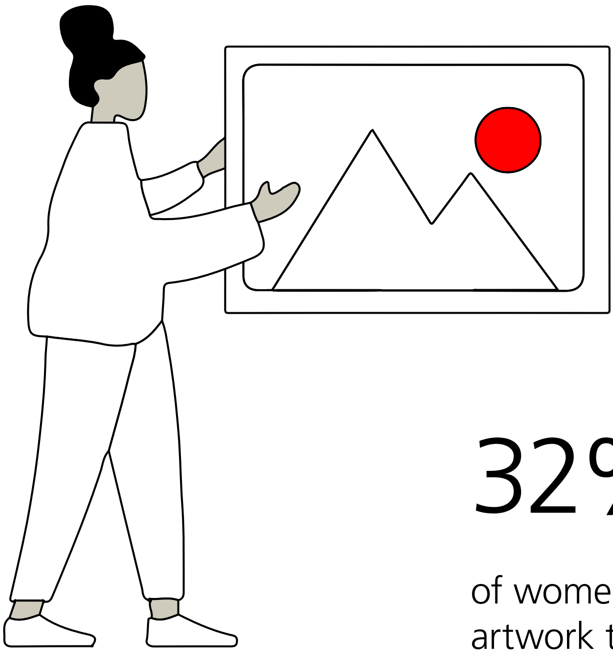
The illiquid nature of private markets tends to prevent investors from selling out during market dislocations, allowing managers to take advantage of attractive valuations in times of stress. As such, private markets may be attractive for investors looking to participate in long-term secular trends in the economy, or match long-term liabilities. Based on our research on endowment-style portfolios, our standard guidance for the Legacy strategy is to allocate up to 40% to private markets.[5]

Illiquidity does not seem to be a prohibitive factor for women investors. In fact, research suggests that real estate is one of women's preferred asset classes.[2] In addition, in the UBS Q2 2021 Investor Watch survey, 61% of women surveyed were interested in receiving advice around investing in illiquid assets vs. 50% of men.[6] This suggests that women are comfortable using illiquidity in favour of investment returns.

The appeal of real estate investments to women can perhaps be attributed to its tangibility which makes an investment appear less risky either because of the greater familiarity and perceived understanding of the investment or because of the greater perceived permanence of tangible assets.[7] Notably, women are investing increasingly in real estate via direct investments. Based on a recent survey, men are much more likely to list real estate investment trusts as their primary real estate investing method, while women are more likely to favor rental property.[8] Data also shows that the gender gap in buy-to-let is narrowing, with more women becoming landlords and growing their property portfolios.[9, 10] However, it is important to note that direct real estate investments hold idiosyncratic risk and may not offer the best diversification. It is therefore important that women make these investment decisions within the context of their Legacy portfolio.

Strategies are subject to individual client goals, objectives and suitability.

See references on page 15.



32%

of women said they plan to leave artwork to their heirs.[4]

Other tangible assets that may be included in the Legacy strategy are collectibles. In our UBS 2022 Investor Watch survey, 32% of women said they plan to leave artwork to their heirs compared to 26% of men.[4] While collectibles can be a store of value, investors should be reminded that they carry high costs, like maintenance and storage costs, and that their actual value is dependent on how much a buyer is willing to pay for them. Collectibles should also be considered as part of the wealth succession as they are taxed. It is worth considering what you would like to do with your collection early on: for example is this a passion which is also shared by the next generation or would you like to orchestrate a donation of your collection. This clarity will allow you to plan appropriately.

Investors may also want to incorporate long-term thematic investing funds to benefit from structural trends. Since the investment horizon extends beyond one's lifetime, the daily ups and downs of financial markets should be less worrisome. Through long-term themes, women investors are also able to align their investments to their values and beliefs which provides them with a sense of purpose through their investments. For example, if an investor is passionate about climate change they can invest in companies focused on renewable energy technologies. Thematic investing also offers the opportunity to tap into macro trends that an investor believes will dominate in the future, like aging societies. Thematic investing offers a compelling narrative which might help women investors find a path into the world of investing. In all of this, it is important to consider themes as part of a broader diversified portfolio allocation.

Finally lending may also be incorporated to enhance the returns of the Legacy strategy. Taking a loan against the Legacy strategy and reinvesting the proceeds can help to enhance income and return potential, in exchange for a higher level of portfolio volatility. Adding leverage to a diversified balanced portfolio can, in certain circumstances, lead to a higher risk-adjusted return than simply increasing an unlevered portfolio's allocation to stocks and other risk assets. When considering portfolio leverage, investors should take care to make sure that a portfolio's overall risk/return characteristics remain within their desired risk tolerance. While leveraging can boost returns, it can also raise risks significantly. And if markets fall, investors might lose the loaned money that they put into their portfolios. So it's important to consider how the loan might affect the expected returns and risk and work out the right level of leverage in your portfolio, in terms of an appropriate amount to borrow and the potential benefits for the portfolio. In addition, lending can also help provide diversification for a concentrated portfolio (e.g., single stock lending).

Strategies are subject to individual client goals, objectives and suitability.

See references on page 15.

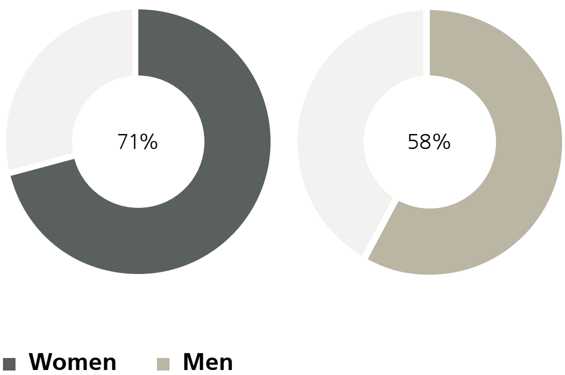
Investing for impact and aligning to your values

In addition to generating financial returns with their Legacy strategy assets, women may also be interested in deploying their capital to create a positive impact on society and the environment. Research shows that women tend to have greater confidence in investing their money when their values are aligned with their investments and when they see a social benefit. Sustainability-focused advice and offerings can drive positive impact not only by encouraging more women to invest, but also through certain underlying investments' ability to contribute to positive social or environmental progress. The UBS Investor Sentiment survey highlights that more women (71%) take into account sustainable considerations when investing compared to men (58%)[11] while a 2022 study by BNY reckoned that if women invested at the same magnitude as men, there could be more than USD 3.22 trillion of additional capital to invest globally with over USD 1.87 trillion flowing into more sustainable and impactful investing.[12]

Incorporating sustainable investing solutions can also be a great way to engage with, and bring in, the next generation. Investing together with the next generation provides a great opportunity to pass on the values and financial lessons that matter when the next generation comes of age. Including them in this journey helps them to be better prepared and can strengthen bonds within families. Furthermore, by including younger generations in investment decisions should lead to a smoother transfer of wealth with fewer surprises.

+13%

Female investors appear 13% more inclined than men to invest based on their values.



Source: UBS Investor Sentiment survey 2020

87%

of women agree that money is a tool that can be used to help fulfill their purpose.

Source: UBS Own Your Worth 2022

Strategies are subject to individual client goals, objectives and suitability.

See references on page 15.

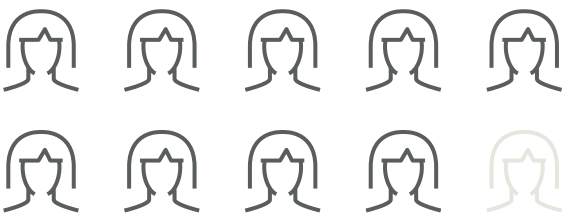
Philanthropy

Donations to charitable causes and contributions to foundations can also be incorporated in the Legacy strategy. Based on the 2021 Women and Giving report, nearly nine in 10 women wish they could be doing more to create positive social change with most of them wanting to give because the believe there is a great need and because they want to make a difference.[13] The report claims that women are more likely than men to engage in many forms of giving back, including volunteering, making non-financial donations and purchasing products from socially responsible businesses.[13] Once women have a plan and can be confident around meeting their lifetime and intergenerational goals they can confidently decide how much they can allocate for charitable causes. It is also important to take note of how best to give to philanthropy as there are several tax considerations around how to make the most with the allocated wealth. For example, giving appreciated securities to a charity—either directly, or through a private foundation or a donor advised fund—can help the family reduce their capital gains tax liability and may help the family reduce their estate tax liability. However, only 14% of women have spoken to a financial advisor about charitable planning strategies, compared to 20% of men, while one-in-three millennial men have had a charitable planning conversation with a financial advisor, compared to around one-in-five millennial women.[13]

The COVID-19 pandemic was a catalyst for more women wanting to give to philanthropy, particularly millennial women with one-out-of-two wanting to make giving a bigger priority.[13] The UBS Own Your Worth 2022 report shows that seven in 10 women have increased their philanthropic support over the past two years either via dedicating time, money or expertise.[14]

9 in 10

women wish they could do more to create positive social change.



Source: Women and Giving, Fidelity Charitable, 2021

7 in 10

women have increased philanthropic support over the last two years.

Source: UBS Own Your Worth 2022

Strategies are subject to individual client goals, objectives and suitability.

See references on page 15.

Chapter 3

Succession

Why it is important?

In the context of the Legacy strategy, it is also important to look at succession planning and the smooth transfer of assets. The aim should be to minimize family conflict, especially during challenging times such as divorce, sickness, or the movement of people or money across borders due to, for example, the migration to jurisdictions with a higher tax burden. Succession is a key topic for most families and one that deserves attention. Wealth succession is paramount for the preservation and stability of the family dynamics and fortune. Having such succession discussions early on is important. According to data from the 2022 UBS Investor Watch survey, women seem to find it easier to talk about money matters with their loved ones, with 45% of women saying that they don't talk openly with their family about financial issues vs. 50% of men.[4] Despite this, more women than men claim that having a professional to facilitate discussions such as a client advisor or wealth planner would help ease discussions around inheritance plans (59% vs. 54%).[4]

As previously mentioned, the involvement of heirs in investment decisions might also be beneficial in including—and educating—the next generation. Women found the pandemic as an opportunity to have more meaningful end-of-life conversations with their heirs (72% of women vs. 66% of men).[4]

Strategies are subject to individual client goals, objectives and suitability.

See references on page 15.

According to research by Fidelity International about women who intend to leave an inheritance, 55% do not have any plans in place compared to 41% of men.[15] By not having any financial plans in place, women risk not having their inheritance wishes respected and may risk paying too much inheritance tax. In a recent UK survey by Opinium, 37% of women said they did not understand the rules around inheritance tax, compared to 25% of men.[15] On average, given women live longer than men they also tend to have larger inheritances—given they typically also inherit wealth from their partner. It is therefore even more important for them to carefully plan the succession to their wealth.

What does succession planning mean?

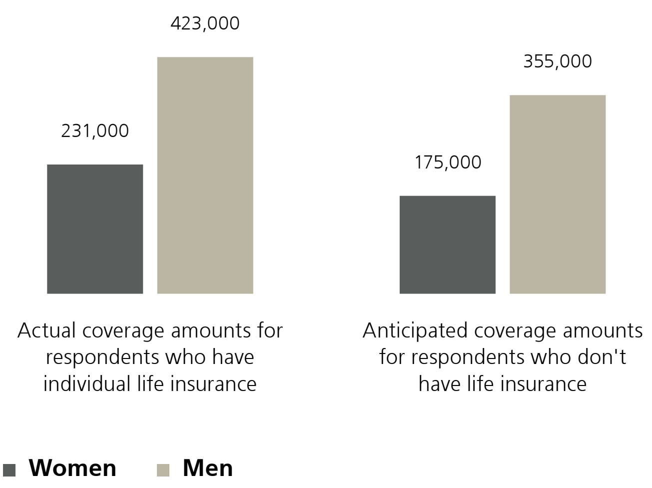
So, what steps should women take to ensure a smooth succession process? At a minimum, women need to have in place a will, together with an assigned person to execute it. Any beneficiaries of said will should be made aware of who this assigned person is. Furthermore, it would be wise to have a power of attorney and advance directive in case of illness so that heirs are able to manage any assets and ensure that your wishes are carried out in case your health deteriorates.

In addition, depending on the specific needs, trust and life insurance solutions may be key components of a successful transfer of wealth. Setting up a structure like a trust or foundation may be appropriate, for example if a beneficiary is particularly young, or 'not ready' to inherit a significant amount of assets all at once; or it may be expedient to clearly separate private from business assets under distinct structures.

A combination with a life insurance policy can provide additional liquidity, which may prove to be an efficient way either to ensure a more balanced inheritance among the heirs, or for dealing with certain financial needs linked with the inheritance. However, according to a 2021 study by Life Insurance and Market Research Association, only 47% of women have life insurance, compared to 58% of men, with only 22% of women feeling very knowledgeable about life insurance vs. 39% of men.[16] And when women are covered by life insurance, the average level of coverage is significantly lower.[17] On average, men carry life insurance policies worth nearly twice as much as their female counterparts, according to a Haven Life survey.[17] Reasons for this gender gap may be women's perception that life insurance is not worth their level of income or that it is too expensive. It is important that wealth planners discuss the potential needs and benefits of the offering in the context of wealth succession.

In certain circumstances, it can make sense that specific assets be passed on to the beneficiaries in the course of a lifetime gift(s), rather than in the event of death. Based on our investor survey, about the same amount of people choose to pass on wealth after they pass away vs. during their lifetime, with a higher percentage choosing to pass along some wealth while alive and some upon their death. Interestingly, we see no gender discrepancies in the choice of timing of the wealth succession, with the COVID-19 pandemic making both men and women more interested in giving more of their wealth away to heirs while alive (66% of women vs. 63% of men).[4]

Survey respondents' life insurance coverage amounts, in USD



Source: Haven Life

See references on page 15.

Timing for the transfer of wealth

The percent of women versus men that...

Women **Men**

Preferences for when to pass wealth

...prefer to wait to pass along wealth to heirs when they pass away.

Women	23%
Men	24%

...would like to give as much as possible of their wealth to heirs before they pass away.

Women	21%
Men	22%

...would like to pass along wealth to heirs both while living and when they pass away.

Women	33%
Men	33%

...prefer to leave most or all of their wealth to charity—causes they believe in.

Women	12%
Men	13%

...do not expect to have any wealth to pass on.

Women	2%
Men	1%

...have not yet thought about it.

Women	9%
Men	7%

Reasons to pass wealth after death

...don't want their heirs to worry about them passing away anytime soon.

Women	55%
Men	48%

...believe there could be conflicts among heirs.

Women	44%
Men	37%

...may want to change their plans, so would prefer delaying the transfer.

Women	63%
Men	53%

...don't know how best to pass on wealth while living.

Women	44%
Men	37%

...don't know how much wealth they can pass on.

Women	56%
Men	47%

...don't know yet what they want to do with their wealth.

Women	44%
Men	45%

Reasons to pass wealth while alive

...want to help teach heirs valuable money management lessons while still alive.

Women	76%
Men	75%

...want to obtain the tax benefits by gifting to family members.

Women	61%
Men	65%

...claim heirs need the money now to build their lives (e.g., buy a home, get married).

Women	66%
Men	61%

...want to see heirs enjoy the money while they are still alive.

Women	73%
Men	74%

Source: UBS Investor Watch survey 2022

We do see, however, some gender differences on the reasons behind the choice of timing. For example, more women prefer to wait and pass on wealth after their death as they don't want their heirs to worry about their health. In addition, more women than men worry about fights between heirs. Another reason that women prefer to delay handover of wealth while they are alive is that they want to remain flexible, with 63% of women vs. 53% of men claiming so. Finally, many more women claimed that they don't consider passing wealth while living because they don't know how best to do so (44% women vs. 37%) of men.[4] On the other hand the majority of women who choose to give assets away earlier do this because they feel their heirs need their money now to achieve their goals e.g., purchase a home (women 66% vs. men 61%) and because they want to teach their heirs valuable investment lessons (women 75% vs. 76% men).[4]

From the data, we conclude that there is a gender gap in the understanding around succession planning and that women would benefit from involving specialists early on in the planning and execution phase.

Conclusion

For women investors, establishing goals for the Legacy strategy is important. As women take control of a larger and growing share of wealth, they will want and need to take control of their Legacy strategy portfolios both in terms of investing them to protect and grow their wealth over generations as well as taking steps for a smooth transfer to the next generation. Women value expert advice more highly than men, both in terms of investment advice, but also in terms of facilitating discussions and executing succession plans. Women need to plan, invest smartly and orchestrate the transfer of their wealth. Through their investments, charitable donations, and financially educating their heirs, women have the potential to make a significant impact on both society and future generations.

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