

LEVELLING THE PLAYING FIELD



NEXT GENERATION FINANCIAL PLANNING FOR FEMALE LEADERS

SUSTAINABILITY
SUSSED

COOPER PARRY
WEALTH

CHALLENGING THE ELEPHANT IN THE ROOM

Recent years have seen a huge rise in women starting and running businesses. Women are set to control a higher proportion of the world's wealth over the coming years. Yet female founders get a tiny proportion of funding to grow and scale their businesses. In the finance world only 15% of the UK's financial planners and only 10% of fund managers are female.

This needs to change.

And it's something we're happy to challenge head on because planning for your financial future is more important than ever. Our goal is to help female leaders to achieve clarity and confidence with their finances, and to address some of the key differences and challenges faced, in order to level the playing field. This is why we launched Female Leaders.

At Cooper Parry we specialise in working with founders, busy professionals, and senior executives. Because we're an accountancy practice and a financial planning business in one, we like to think we have most angles covered.

We're acutely aware that the traditional wealth management industry is broken and focusses on communicating with men, without fully understanding or appreciating the specific needs of women.

We believe that by creating a more diverse and inclusive profession, we can support and improve outcomes for female clients. We want to champion the power of female leaders, and female investment, to demonstrate that inclusivity and diversity matters.

The aim of this report is to highlight the need for advice, and the fact that women have distinct challenges, and touch on some of the common planning opportunities to consider when it comes to your own personal financial planning.

So let's delve right in...

MARIE SMITH
ASSOCIATE PARTNER
AND FOUNDER OF FEMALE LEADERS



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NEW THINKING FOR FAST-CHANGING TIMES

Right now, women control around 40% of Britain's wealth and this is set to increase to 60% by 2025, according to research carried out by the Centre for Economics and Business.

It's common knowledge that, on average, women tend to live longer than men - which is one contributing factor to this rise in women's wealth. However, there are a number of other factors contributing to this trend.

There are more women in the workforce than ever before, including an increase in women holding senior board positions.

From 2020 to 2021 the number of women on FTSE 350 boards in senior positions has increased by 3.2% to 37.6%

Women are now the main breadwinners in a growing proportion of households, and for 2019 (the most recent reported figures) this was over a quarter.

Recent years have also seen a huge rise in the number of women starting a business. Just four years ago, 17% of founders were female, but this rose to 32% by the start of 2020.

Being a senior leader or entrepreneur can be both profitable and empowering, but it can also leave you exposed to certain risks, such as falling ill, losing a key team member, or perhaps not having the time or energy to focus on your own personal finances, leading to a lack of diversity in your portfolio. These risks can not only be detrimental to your business but have a big impact on your family and financial wellbeing.



MUCH THE SAME, BUT RADICALLY DIFFERENT TOO

It would be remiss of us not to point out that female leaders experience the same challenges as their male counterparts, but there are some key differences if you're a female.

One difference is that women are more likely to be called upon by their families to take on caring responsibilities. Whilst this trend is gradually changing, looking after loved ones remains predominantly a female role.

According to the Office for National Statistics (ONS), in 2019, women made up **62%** of the **1.3 million** people in the UK who were taking care of both children and elderly relatives, known as 'sandwich carers'.

Being a carer can significantly impact the time available to work or run a business and, sadly, it can even sometimes affect how others see you as a founder or leader.

Another difference is that, on average, women have significantly less capital available when starting a business. According to a study produced by the British Business Bank, only 4% of all UK venture capital deals go to female-only founded businesses, which is less than 1% by value. Quite a staggering statistic in the modern world.

There are also mindset and approach differences between men and women, with women being labelled as "softer" or perhaps "more risk averse".

These labels are not only limiting but inaccurate. A review undertaken by Psychology of Women Quarterly found "no evidence" for gender differences in risk-taking at work. These findings are in stark contrast to previous studies that found men were more likely to be risk-takers. In the investment world women are often labelled as being more risk averse, however The WealthiHer Report 2019 found women to be more risk aware than averse, in stark contrast to the stereotype that we often hear.

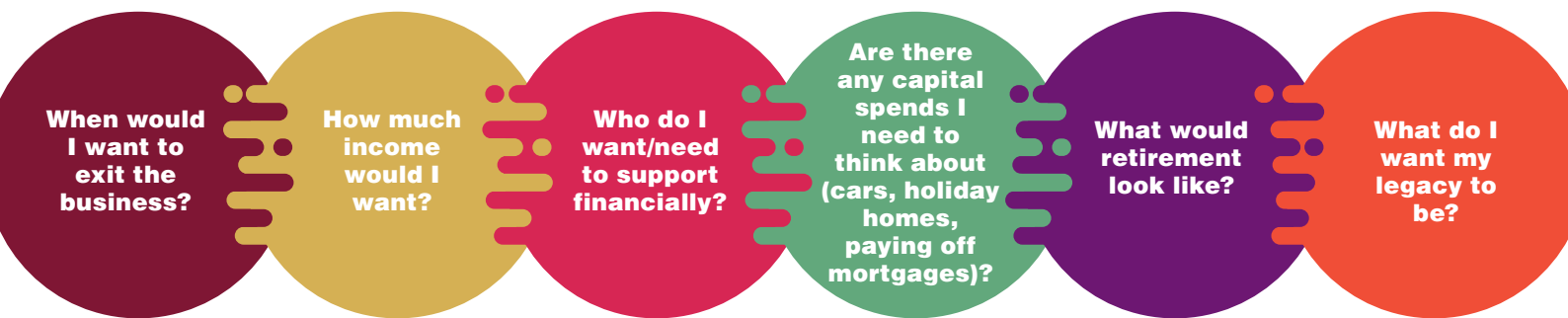
Women face some distinct differences and challenges, yet they are powerhouses that can't be ignored. The weight of the world's wealth is changing, and never has there been a greater need for advice. Not only can planning help achieve goals and aspirations, it can also provide peace of mind and financial wellbeing for the future.



KEY CONSIDERATIONS FOR FEMALE LEADERS

Understanding you

Before getting into the nitty gritty of some specific planning opportunities, it's important to take a step back and consider your Bigger Picture. Ask yourself questions like:



Being clear on your objectives will focus the mind and help you plan.

At Cooper Parry we talk about understanding **YOUR NUMBER**. What's that magic figure that you need at retirement to achieve financial independence? A professional can help you work this out by using sophisticated cashflow planning, taking into account your whole financial position.

When it comes to developing a financial plan, the best approach is to create a bespoke structure specifically for you and your family, with the help of a trusted professional. In our experience, successful people don't often have the time to focus on their personal planning - they're too busy with their business or family. So let someone else do the heavy lifting for you.

A robust financial plan should cover off the following:

- Bigger Picture – A recognition of your goals and aspirations for the future, and any concerns you may have.
- Structure – Provide a flexible framework for the future
- Risk – Ensure you are protected against the unknown
- Investment – Make sure your assets are invested sensibly - diversified, evidence based, low cost and not based on emotional decision making
- Tax – Limit the amount of tax you pay, and maximise tax efficient savings for you and your family
- Legacy – make provision for after you've gone, and help you define a legacy



INVEST LIKE WONDER WOMAN

Wonder Woman is the only female member of the Justice League, and she matches her male counterparts in speed, strength and ability to take down the latest threat to mankind when she needs to. Interestingly, she's also more likely to be a better investor than her male colleagues!

In a study by The Warwick Business School that tracked investors' performance over a three year period, women outperformed men at investing by 1.8%.¹

A 2017 study of more than eight million investment accounts by Fidelity revealed that women outperformed men by around 0.4% a year.²

So if the data shows that women are better investors why is this?

Well, there isn't a simple answer to this question, but some experts believe female investors tend to show certain characteristics that boost their performance.

Taking a long term view

The world's best investors control their emotions and think long term. They don't cash out when markets are bumpy, they hold their nerve and wait for things to improve. This is why it's one of Cooper Parry's Six principles of Successful investing.

By selling underperforming investments early, you lock in losses and don't give your investments chance to grow. The financial press can make investors nervous which in turn can encourage them to make emotionally driven decisions.

Warwick Business School found that, in general, women only traded their investments nine times a year, compared to 13 for men, therefore women were found to take a more long-term approach to investing.

Our advice is always tailored individually when it comes to someone's appetite for risk and investment strategy, and we fully support taking a long-term approach.

To punt or not to punt

The same report by Warwick Business school showed that women are in general drawn to shares that have a good track record whereas men are interest in more speculative stocks.

Whilst past performance can never be a guide to future performance, doing your research is sensible.

Chasing 'hot' tips and trading on whims will weaken your investment returns. It's more akin to gambling than investing, which should always be evidence based.

We've all heard stories from friends, or perhaps the man down the pub, about a speculative investment with a too good to be true investment return. Our advice - run for the hills.

Don't put all your eggs in one basket

When it comes to investing diversification is key. It's a simple and sensible way of reducing risk.

If one of your investments isn't performing, the others should compensate. The same can be said about investing outside of your business.

Diversification is something women tend to do a bit better than men.

Remember the evidence

Just like Wonder Woman herself, you may often find that the financial services industry is dominated by men. Don't let this sway your approach to investing; take a leaf out of the book of women across the land and don't forget – save more upfront, invest for the long-term, stay disciplined, and diversify.

At Cooper Parry we have 6 founding investment principles based on academic evidence and Nobel prize winning research.

- Accept the stock market is hard to beat
- Understand that risk and return are related
- Don't put all your eggs in one basket
- Focus on the investment mix
- Keep your costs low
- Control your emotions and think long term

You can find out more [here](#):



1. <https://www.wbs.ac.uk/news/are-women-better-investors-than-men/>

2. <https://www.reuters.com/article/us-money-investing-women/why-women-are-better-investors-study-idUSKBN18Y2D7>



THE POWER OF THREE

TOP PLANNING OPPORTUNITIES FOR FEMALE LEADERS

Each and every one of you will have your own unique set of goals, but there are common planning themes that crop up with our female leader clients. We thought we'd hone in on these areas in a bit more detail and provide our insight.



PLANNING OPPORTUNITY 1

CONSIDER KEY (WO) MAN INSURANCE

There are a huge number of risks both personally and professionally that you can face as a leader in business. One big risk is the loss of a key person. If you're a founder of a business, that includes you!

Think about the people who drive profits or perhaps who are the key people in operations. Would the business fail if they weren't around? Highlight those people crucial to the day-to-day running of the business.

It's important to have a backup plan if the worst happens and key people are affected by critical or long-term illness, or suddenly pass away.

You can insure against these risks using Keyperson insurance. This is a policy taken out by the company to provide a lump sum paid out directly to the business, which can be used to cover the cost of any profit losses, replacement staff, or loan repayments.

There are many ways of arriving at the value of a key person and each situation will have to be viewed individually depending on the business involved, the key persons area of speciality and their involvement in the business.

Having Keyperson cover in place can keep you afloat during a difficult time and provide a financial boost whilst the business reassesses. It could be the difference between your business surviving or going under.

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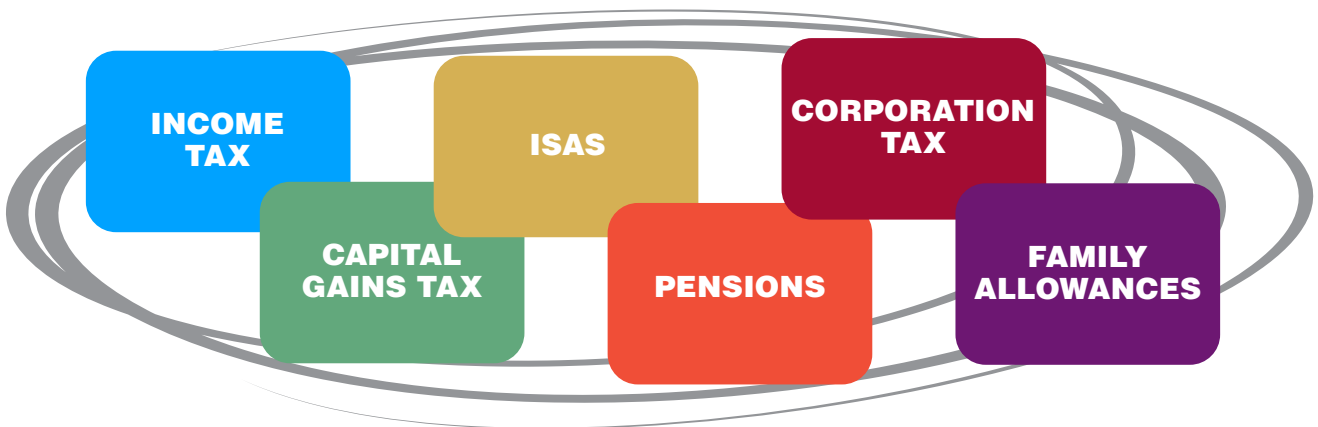
PLANNING OPPORTUNITY 2

GET YOURSELF A PENSION (AND MAXIMISE IT)

As a successful leader you might be a high earner and face higher tax rates on income, dividends and capital gains. Getting the right strategy in place will require careful planning based on your unique position.

Working out how much to save and invest will be based around your individual goals and requirements.

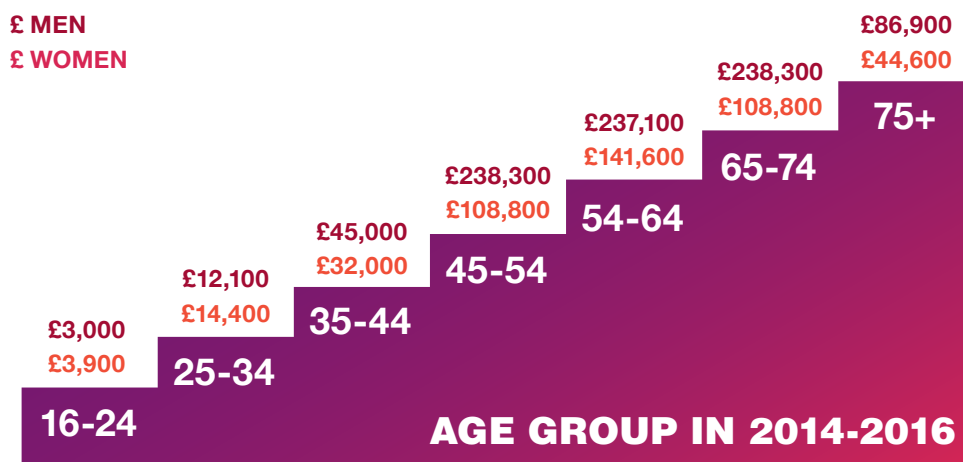
A tax-efficient strategy should consider:



We're focussing in on pensions here, as they're a tax efficient way to invest for retirement. Higher rate taxpayers receive 40% tax relief on eligible contributions, while additional-rate taxpayers receive 45% tax relief.

The word pension isn't the most glamorous thing in the world, and when you're running an exciting business, it's probably far from your mind, but it shouldn't be.

Median private pension savings by age and sex, July 2014 to July 2016



Source: ONS (2018) Wealth in Great Britain, Table 6.10

Evidence shows that, on average, women tend to have around half of what men have in their pensions by the time they retire, so it's important to address this imbalance.

We often hear comments like **“the business will be my pension at retirement”**, but as we've learnt over the last few years, none of us know what's round the corner. Diversification is one of Cooper Parry Wealth's fundamental investment principles, as it's a simple and sensible way of reducing risk. Even the most successful leaders have diversified income sources and don't fully rely on the success of the business for future financial independence. Having a pension fund in addition to a future business sale will help secure your future.

Let's not forget that, if you are a founder, pensions can be a great way of taking profits tax efficiently too. If your business is a limited company, you may have the ability to extract your pension allowance as a business expense, getting corporation tax relief and reducing national insurance payments.

If your spouse doesn't earn anything, you can also save up to £3,600 gross (£2,880 net) into a pension for them, further boosting your tax efficient savings.

You can also save for your children's/grandchildren's future and invest into pensions for them, although you do need to consider their own tax and income position.

For 2023/2024, the annual pension contribution limit for tax relief purposes is 100% of your relevant earnings (this mainly means salary) or £60,000, whichever is lower. However, if you're considered to be a high earner, and have an 'adjusted income' of more than £260,000 per year, and a 'threshold income' of more than £200,000 per year, your annual allowance will be tapered.

[The chart below shows the reduction in the standard annual pension allowance of £60,000, down to just £10,000 when your income is over £360,000].

TAPERED ANNUAL ALLOWANCE



It's important to take advice from a professional when it comes to profit extraction and pension planning. There are lots of rules to follow which could apply to you. Avoiding an unexpected tax charge is key here

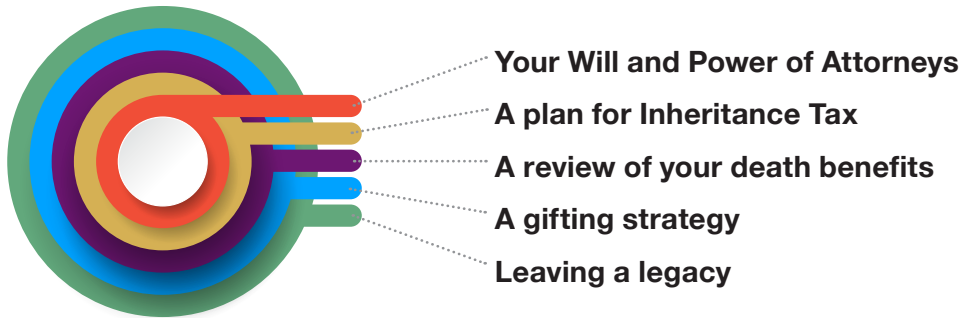
3

PLANNING OPPORTUNITY 3

WHERE THERE'S A WILL

It can be hard to look ahead and think about what will happen when you're not around. Having peace of mind that the money you've built up will help take care of those who are important to you when you're no longer there, can be a powerful thing.

A good legacy plan should cover off:



If you have a company, it's important to have a will to cover both your personal and business interests.

A well-written will can help make sure your assets pass on to the right person in the most tax efficient way and protect the value of your wealth for future generations. A will can also set out who you'd want to be the guardians of your children (if applicable) if neither parent is around.

If you're a business owner, a will can be particularly important because without one your business or shareholding could pass to:

- Someone who has no interest in running it
- Someone without the skills or experience to run it properly
- Multiple people that don't agree on how the business should be run

In any of these cases, the business could lose value due to mismanagement, or it might be sold off quickly at a bad price.

You may want to leave your family a sum of money equal to the value of your business or your shares, rather than the business or shares themselves. This can be achieved by putting in place a structure in your will, a life assurance policy and other documents.

Under certain conditions, some business assets may qualify for 100% Business Property Relief (BPR) meaning that, regardless of value, they are totally free of Inheritance tax (IHT). Although IHT may be avoided when these business assets pass via your will, if these are then subsequently sold, the proceeds become taxable. There is an option to nominate to trust on your death, any assets that qualify for business relief, which could save large sums of IHT in the future.

Wills can be a good protection tool and provide some element of control beyond the grave, for example if your spouse remarries in the future, or if perhaps your children aren't ready to inherit at the time you die.

It's important that your will is structured appropriately, considering your unique situation. A bit like your financial plan, your will needs a regular review to ensure it meets your changing needs and circumstances.

We work alongside specialistic solicitors to ensure a joined-up approach for your will and tax planning.

DOING GOOD WITH YOUR WEALTH

During our discussion with our female clients and our research, we found that on average most women not only want to achieve financial independence and good performance with their investments, but they are also focused on creating better opportunities for family and society at large. According to [The WealthiHer Report 2019](#) over 67% of women interviewed said that making a social impact was of high importance when investing.

This desire to create a better world extends beyond perhaps investing in companies with higher environmental, social and governance (ESG) credentials. It may also include philanthropy, or perhaps investing in local businesses and start-ups.

Financial wellbeing is how we use money to increase our long-term sense of fulfilment. In many ways it's about how we use our money to support other areas of wellbeing such as mental, physical, social, spiritual, environmental or occupational wellness.

Doing good with your wealth can take on many different forms and can be both fulfilling and rewarding. As a successful female leader, there are also big tax breaks to be had.

Charitable giving can provide income tax relief, relief from capital gains tax (CGT) when gifting shares, and also immediate relief from IHT on the value of gifts made.

We highlighted at the start of this report that female founders can struggle to achieve funding when starting a business, with only around 1% in value of venture capital funding going to them, despite the rise in female founded businesses.

Investing in start-up companies via Venture Capital Trusts (VCTs), Enterprise Investment Schemes (EIS) or Seed Enterprise Investment Schemes (SEIS) can be both personally rewarding and beneficial from a tax point of view. For example, EIS investment has the potential to achieve:

- 30% income tax relief
- CGT deferral on gains made elsewhere
- Exemption from CGT on growth after 3 years
- Business property relief (BPR), and therefore inheritance tax relief, after a 2 year period

Investing into early-stage companies has the potential for high growth, however it is also considered higher risk, due to the lack of diversification, and limited/lack of access to capital in the short term. This said, the tax and social impact factors make them attractive investments, and it's a great way to support new female founders coming to market.

It's important to take advice from a professional when considering an investment or gifting strategy to ensure it fits with your objectives, your tax planning strategy and of course the impact that you want to make. Our team of experts can help you with this.

TO WRAP UP

Being a female leader with a bespoke financial plan for the future, will provide a well-diversified strategy to secure your finances, provide for your family and improve your financial wellbeing. It will allow you to focus on running your brilliant business or career, with confidence about your financial future.

This report highlights a few common planning opportunities that could be relevant to you, but there are so many more considerations depending on your unique position.

We'd love to hear from you if you'd like to comment, connect, provide your insight, or get involved in the WoW movement.

If you want an informal chat on how our team of experts can help get in touch with Marie.



1. The Pathway to Inclusive Investment (bnymellon.com)
2. Sea-change in UK boardrooms as women make up nearly 40% of FTSE 100 top table roles - GOV.UK (www.gov.uk)
3. Rise of the female breadwinner: Woman earns the most in one-in-four households - Royal London
4. 2020 Report on Gender and Small Business, UENI, July 2021 (Based on a survey sample size of more than 22,000)
5. Sandwich carers dataset, Office for National Statistics, January 2019
6. UK VC & Female Founders report - British Business Bank (british-business-bank.co.uk)
7. The Gendered Consequences of Risk-Taking at Work: Are Women Averse to Risk or to Poor Consequences? - Thekla Morgenroth, Michelle K. Ryan, Cordelia Fine, 2022 (sagepub.com)
8. Report (wealthiernetwork.com)
9. Report (wealthiernetwork.com)

GET IN TOUCH



Marie

If you have any questions, or would like to discuss anything in more detail please contact Marie Smith, Associate Partner and Founder of Female Leaders.

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Our teams of talent operate right across the UK – with hubs in London and the Midlands.

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