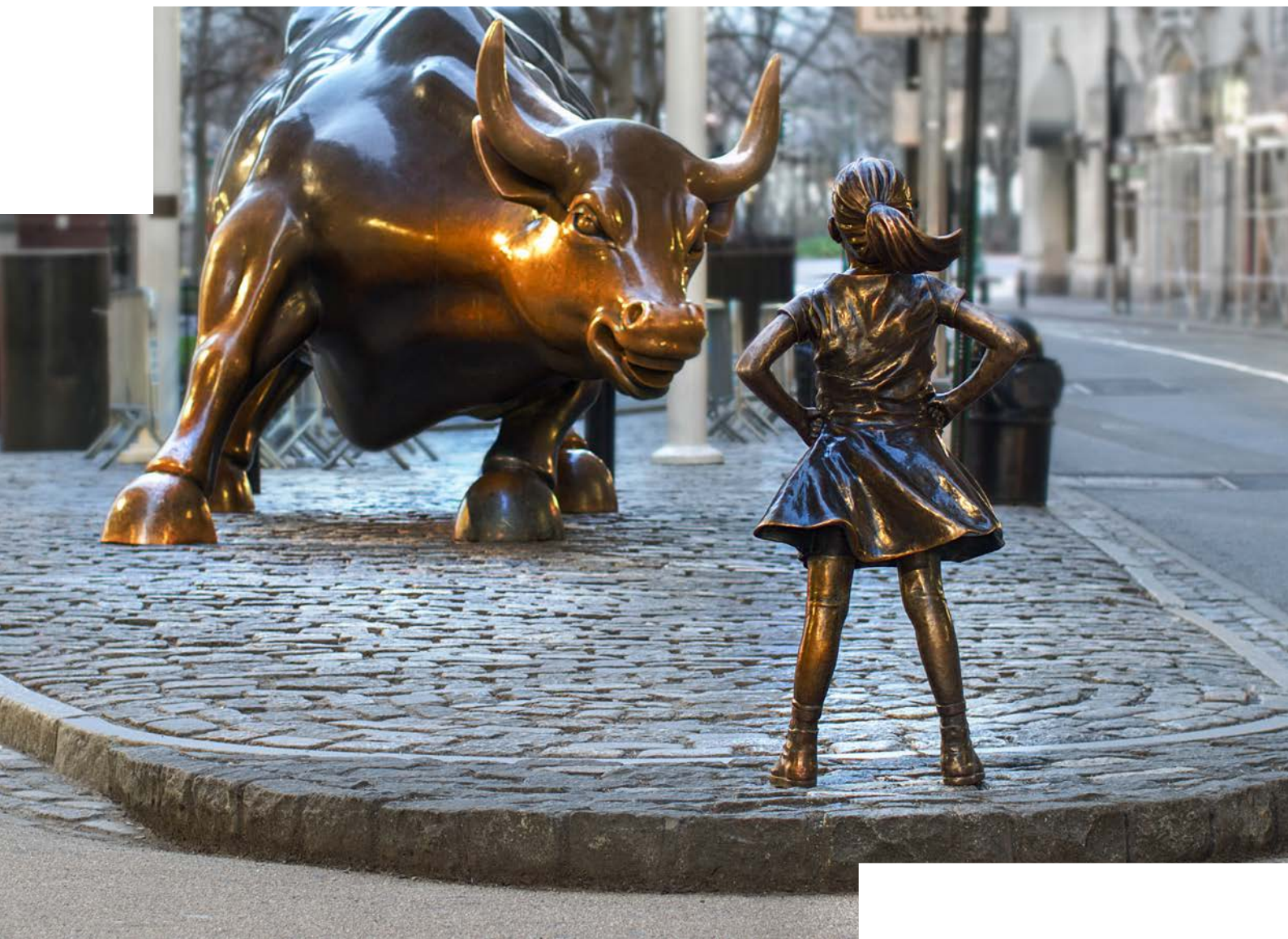


# Woman to woman



Lifecycle investing for women.

# Woman to woman

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by Nannette Hechler-Fayd'herbe

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# Editorial

**Nannette Hechler-Fayd'herbe**

Chief Investment Officer of International Wealth Management  
and Global Head of Economics & Research at Credit Suisse

I have worked in the finance industry for almost 25 years. Over that time period, women's wealth has grown relative to that of men in many countries. However, in absolute terms, men still hold the lion's share of wealth. Factors sustaining this gender wealth gap include income variations related to business ownership and inheritance, the balancing of career and family responsibilities, disruptions to pension savings and, importantly, women's often too conservative investment behavior.

When managing their finances, many women often find it difficult to obtain practical investment advice that addresses their specific preferences, needs and objectives. They are frequently deterred in their decision-making by the use of complex financial jargon in the advice they receive, which also fails to reflect their life situations and personal preferences. Generally speaking, this combination of factors means that women are less likely to feel comfortable investing their wealth into financial markets and instruments, and they are more likely to hold the majority of their money in cash, simply for safety reasons. I call this the "gender investment gap."


In my role as Chief Investment Officer of Credit Suisse's International Wealth Management division, I recognize the need to address the gender investment gap. I believe it is important that financial institutions acknowledge the specific investment needs of women, and provide them with relevant and meaningful financial advice that is tailored to their specific needs and personal situation. With this in mind, we can help them build a foundation for their current and future financial security. It is this inspiration that drove me to create this publication.

My experience with clients around the world has shown that women tend to think in terms of lifecycle stages, four of which are discussed in detail in this publication. Women have distinct financial needs in each of these phases, and

their wishes and objectives evolve as they move through life.

Reflecting their emphasis on financial security, especially in old age, women tend to be too risk averse and often seek to avoid taking risks in their portfolios once they start investing. But in markets, returns are the direct result of taking risk. The outcome is that women too often end up with not enough equities in their investment portfolio – a clear disadvantage for them in growing their capital over time in a low interest rate world, thereby contributing to growing the gender investment gap.

To build a successful relationship with female clients, investment professionals – myself included – must strive to pursue a more nuanced approach that takes account of the "XX factor" in investing. I believe that by using the lifecycle stages described in this publication as a framework, investment advisors can engage successfully with female clients and establish a long-term relationship founded on trust, deep understanding and openness. Equally, female clients can be inspired by this new take on investing – written by Credit Suisse women for women – and use it to build their wealth and financial independence over the long term so as to close their investment gap. I hope you find the roadmap for building wealth for women, which is outlined in the following pages, useful and inspiring.



“ I believe it is important that financial institutions acknowledge the specific investment needs of women, and provide them with relevant and meaningful financial advice that is tailored to their specific needs and personal situation.

# Untapped potential

According to estimates in Credit Suisse's Global Wealth Report (2018), women own around 40% of total global wealth if real assets are taken into account. Their share of wealth rose significantly during the 20th century, and, since the year 2000, the level of wealth held in female hands has continued to increase – along with overall household wealth.

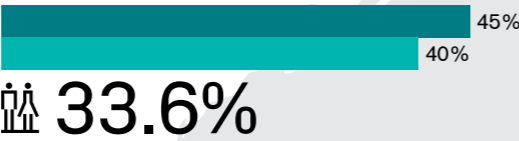
In high-income countries, the last few decades have seen a revolution in terms of the working and family lives of women. Women are now more highly educated and qualified than many men in advanced nations. Women today are also choosing to marry and start families later. Crucially, more women are in employment and they are earning more – and saving more.

As a result, they have greater financial independence, and a rising share of wealth within marriage.

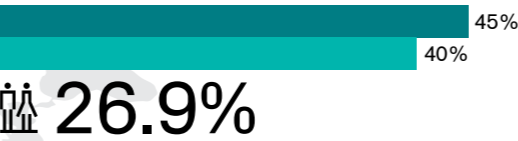
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Women's estimated share of household wealth by region

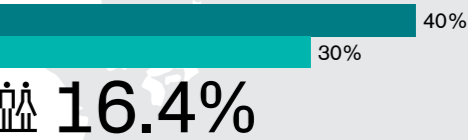
## North America



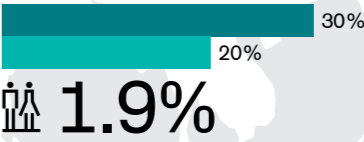
## Europe



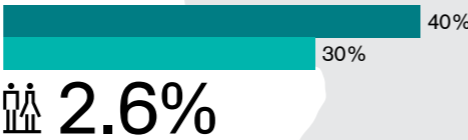
## China



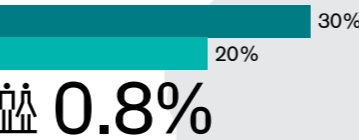
## India



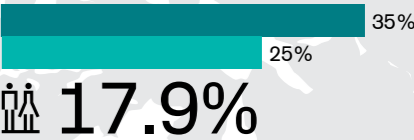
## Latin America



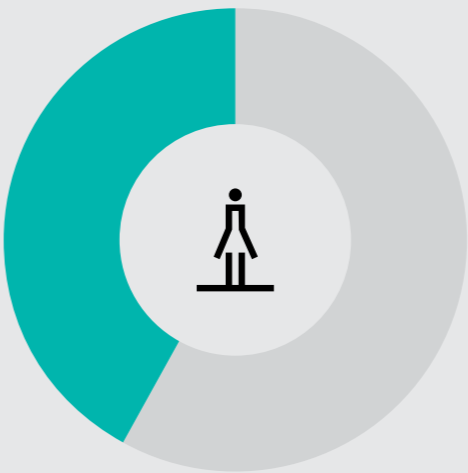
## Africa



## Asia-Pacific



Upper bound female share  
Lower bound female share  
Share of global wealth – both genders



42%  
Women's share  
of global wealth

Source: James Davies, Rodrigo Lluberá and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018

“XX” factor in investing

Different surveys and investment experience show that in their role as investors, women tend to invest with a more long-term focus, are less likely to engage in frequent trading activity, hold a larger proportion of their wealth in the form of real estate and other real assets, and are particularly interested in environmental, social and governance (ESG) criteria and impact investing.

In light of their long-term and less transactional investor profiles, women are more inclined to entrust their investments to professional wealth managers on a discretionary basis. Our own

experience at Credit Suisse confirms this tendency. Relatedly, the analysis of our own data confirms that women are more risk averse, and become significantly more so during the second lifecycle stage (see “Risk tolerance decreases with age” chart below). This bias has implications for their asset allocation strategies, with more women in fixed income and income-oriented strategies than men. In reality, women are often even more conservatively invested than they suggest, with excess cash and substantial equity underinvestment. In the long term, this could contribute to an inferior performance and lead to an investment gap.

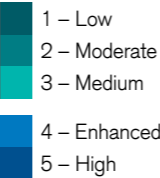
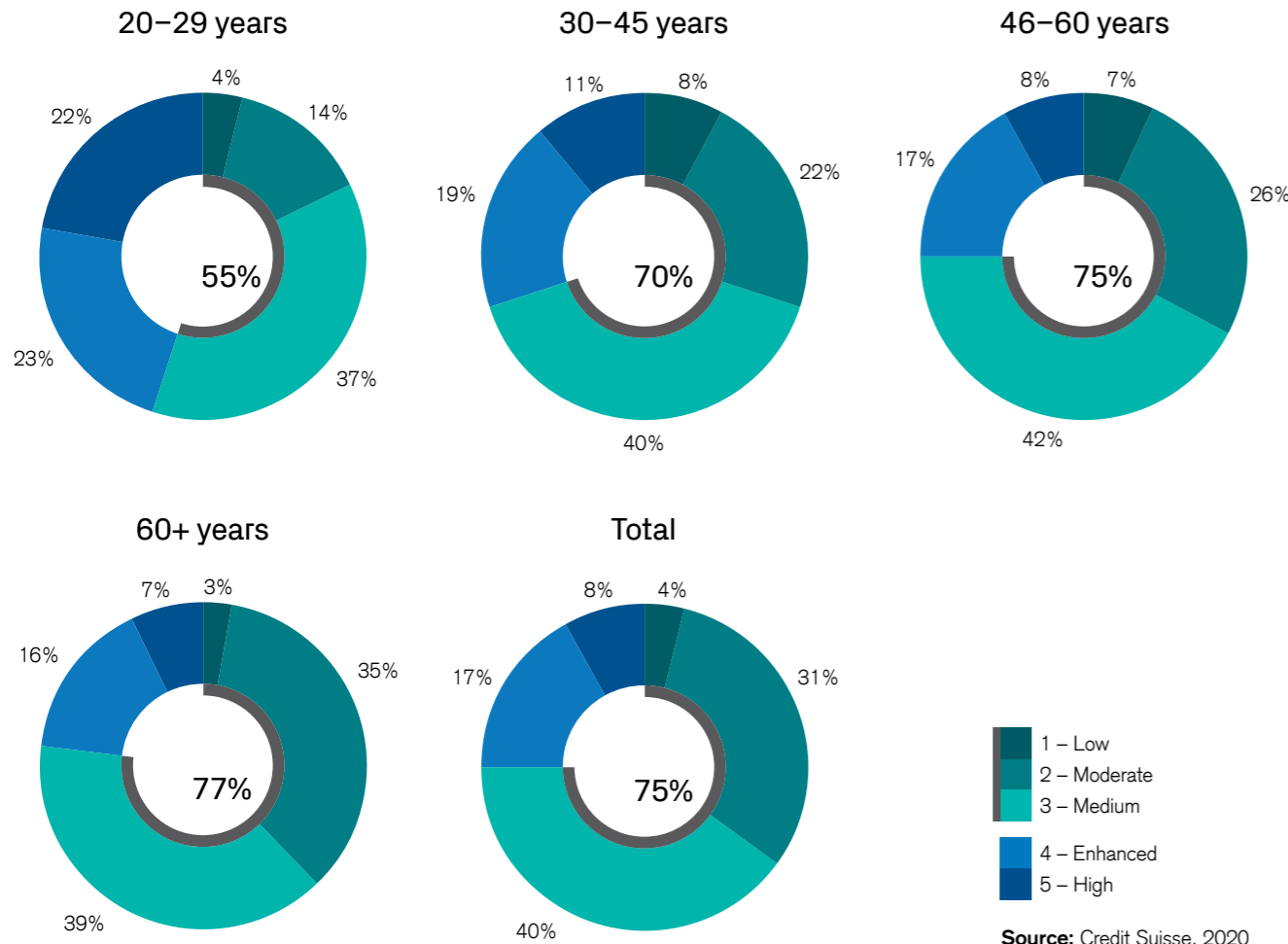
The prosperity precipice

Women face several hurdles when seeking to accumulate wealth. Income disruptions associated with maternity leave and periods subsequently devoted to raising a family are one example. Young single women, whose numbers are increasing, may also accumulate less wealth than their male peers. Shifting family circumstances are another frequent source of wealth and investment gaps. The wealth of divorced women, for example, typically falls over time compared to that of their male partners.

Importantly, a more pronounced risk aversion in women drives them toward a more conservative stance in investing. Hence, it is essential to understand the evolution of women’s needs through the lifecycle stages. Adjusting their investment strategies to reflect those phases will enable them to make the most out of each investing stage to help them build a more secure financial future.

Risk tolerance decreases with age

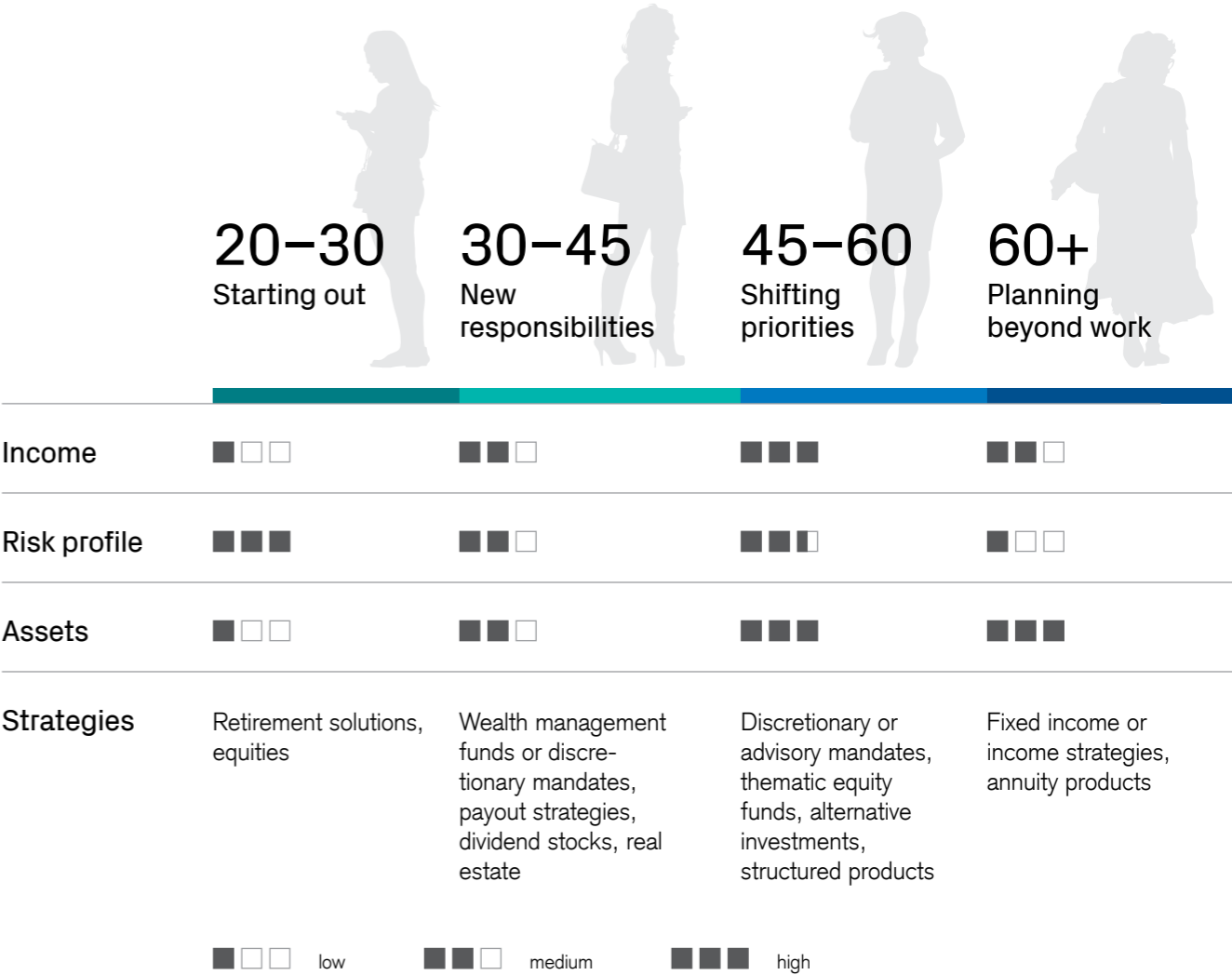
Typical risk profiles of women across different lifecycle stages



Source: Credit Suisse, 2020

Make your investments count

Typical stages in the financial lifecycle of a woman



# Investing through a lifecycle lens

## 1 Starting out (typical age range: 20–30 years)

Young women who are completing a university education or vocational training do not generally have their own steady income source. The defining characteristics of this lifecycle stage are a low savings rate combined with minimal investment activity. This does not mean it is too early for women to start planning for a secure financial future far down the road. On the contrary, young women should invest in themselves right from the beginning in terms of their finances, as well as their education, training, physical and mental health, and life experiences in order to enjoy the benefits throughout their life.

### First investing steps

As young women start to participate in the labor market, they may have the possibility to contribute to voluntary retirement schemes. This often constitutes the first investing step. If their salaries grow rapidly because of a swift career progression, they may increasingly also need to familiarize themselves with so-called “1e plans” as part of their occupational retirement schemes. With 1e plans, women have to select an investment strategy for the pension savings co-funded by the employer and employee, and will earn the full return but also carry the full risk of their investment. They can select from a range of investment strategies to find the approach that best meets their risk tolerance and investment goals.

In general, such retirement-oriented schemes tend to focus on funds. “BVG” funds are another Swiss example that have varying proportions of equities to allow investors to map their investments to their individual risk tolerances. Young women with a long investment horizon should have a relatively high risk tolerance. They do not require regular cash flow from their investment portfolio at this time, so a multi-asset strategy that is tilted towards equities is a suitable solution for this lifecycle stage.

### Key actions

#### No time to lose: Build retirement capital

- Interest rates are currently at or close to zero or are even in negative territory in many countries. Consequently, savings held in the form of cash deposits do not generate any income and young investors cannot benefit from the compounding effect of interest rates. Trends such as the aging population and underfunded pension systems make it essential for women to start building capital when they are young.

#### Start with a “core/satellite” approach

- **Core investments:** As you build your retirement capital, allocate an adequate proportion of your portfolio in equities, as interest rates are expected to stay low for a prolonged period. It makes sense to have an emphasis on funds to keep costs in check, especially considering the relatively small investments being made. ESG (environmental, social and governance) funds may be of particular interest for young people, who are pushing for greater environmental and social change. Investing in ESG funds allows them to align their investment portfolio with their values.
- Invest gradually (3–4 times per year) to avoid exposing your investment to one particular entry moment and stay invested rather than repeatedly making investments and then withdrawing your capital from your core investments.
- **Satellite investments:** If you have additional savings, consider investing in sectors or themes with which you have an affinity – for example stocks of luxury brands and tech companies, or sustainability funds. This approach will ensure that you stay well informed and understand the value proposition of your investment. Do not invest in areas that you do not understand (complicated structured products, etc.).

“ It is essential for women to start building capital when they are young.”



# 2

## New responsibilities (typical age range: 30–45 years)

### Investing pro tips

#### What does “risk tolerance” mean?

All investments entail some degree of risk, i.e. the chance that you could experience negative returns or losses on the capital invested. Traditionally, the greater the risk you take with your money, the greater the potential reward. Risk tolerance denotes a client’s ability to withstand fluctuations in their invested capital. Most young investors can accept a potential loss of 7–11% on their capital in a given year, while some would even be able to tolerate up to 20%.

#### What is a multi-asset portfolio or fund?

A multi-asset portfolio or fund is an investment composed of several asset categories that have a diversifying effect and therefore lead to a more robust (stable) return over time. The key asset categories included in a multi-asset portfolio or fund are generally bonds, equities and sometimes alternative investments (e.g. real estate, commodities or hedge funds). Cash is included in the portfolio for flexibility in order to seize opportunities as they present themselves and tactically enhance allocations in bonds or equities or alternative investments.

#### What is ESG investing?

ESG investing – where investments are made according to ESG criteria – has become increasingly popular among investors in recent years. This investment trend reflects the broader social engagement around ESG topics.

The rise in popularity of ESG investing has been supported as well by the growing recognition

that investing to generate returns and doing good are not mutually exclusive. Indeed, there are numerous examples of outperformance with ESG investments.

#### How much cash should I hold for investments and for a “rainy day”?

Cash allocations held as part of an investable portfolio total between 5-10%. At Credit Suisse, since cash rates have fallen so much over time, we now hold about 5% in investable portfolios when the portfolio is fully invested at target levels. This recommendation regarding strategic cash allocations is not to be confused with the cash you hold for a “rainy day.” Those cash reserves need to be accessible at any time and are not really regarded as part of an investable portfolio. The size of that pool of cash should depend on the age of the investor, the region where she is based and the extent to which the local social security system offers a financial safety net, as well as her personal circumstances – including any dependents – and monthly living costs. In countries where, in normal times, the average period of unemployment is around six months and there is a reasonably good social security system, women aged less than 45 should hold the equivalent of around 3–6 months of living costs as cash reserves. The more inflexible labor markets are, the longer the period of unemployment can be. Some adjustment to cash reserves may hence be required. For women over 45, the average period out of employment tends to be longer. In this case, cash allocations equivalent to about a full year of living expenses may be necessary.

Women see their income level grow as they move through the first phase of their career. They have a medium savings rate at this time. This is when their real investment activity begins, as their savings may exceed what they need to commit to compulsory and voluntary retirement schemes. Since they have a long investment horizon, women can accept quite a high level of risk in this phase, i.e. they should have sufficient exposure to equities, but they may have different requirements for the annual payouts of their investments depending on their income situation.

#### Maternity break: Avoiding wealth setbacks

For women who want to have a family (Scenario 1), the decision to take a maternity break can disrupt the progression of their earnings and pension savings. In such cases, it may become more important for women to generate regular income from their investments in order to offset a potential decline in – or the discontinuation of – salary payments over an extended period. To generate income from their capital and compensate for the impact on salary income, women need to start tilting their

investments at this time. Their focus should now be on payout strategies, i.e. investments that pay a predictable income every year, while still keeping sufficient exposure to equities. In the past, capital that was used to generate income was predominantly invested in bonds. In view of the current low interest rate environment, women looking to earn sufficient capital income will often have to include emerging market or high-yield bonds, real estate and dividend-paying stocks, as well as income-earning structured products, in their investment portfolio. In this lifecycle stage, women may have sufficient financial assets to consider delegating the management of their investment portfolio to a wealth manager based on pre-defined guidelines. This may be appropriate for them since they may not have much time to devote to their investments at this stage. Women who prefer to retain control over their investments or have a smaller amount of investable capital may opt for a selection of bonds and/or fixed maturity bond funds, dividend stocks or dividend equity funds, real estate investment trusts (REITs) and income-paying structured products.

## Investing don’ts

#### Don’t try to time the market.

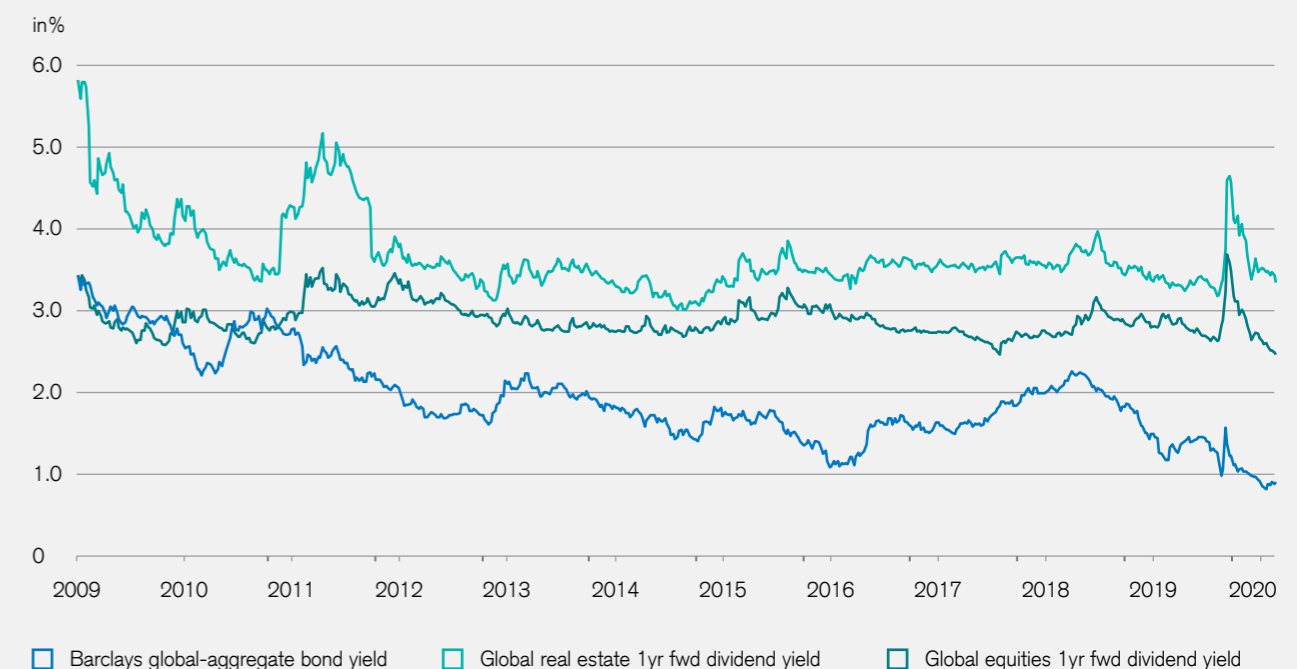
With a long investment horizon, time in the market is more important than timing the market.

#### Don’t succumb to herd behavior.

Herd behavior refers to investors’ temptation to follow and copy what other investors are doing. They are largely influenced by the emotions and instincts of the masses, rather than by their own independent rational analysis of their investment objectives and risk tolerance.

### Capital at work

Global real estate dividend yield vs. equities and bond yields



Source: Bloomberg, Datastream, Credit Suisse / IDC



“ For women who want to have a family, it may become more important to generate regular income from their investments to offset a potential decline in salary payments.

#### The full-time track

For women who decide not to have children, who have children but continue working full time, or who have other income sources, there is no compelling need to focus on payout strategies (Scenario 2). Instead, their focus will be on growing their capital at low cost. The most effective way of doing this is to opt for funds. Wealth management funds with high equity allocations are an attractive way to own well diversified, multi-asset portfolios managed by professional asset managers. For women who prefer to retain control over the composition of their portfolios, ETFs or passively invested funds that track selected reference indices are the most cost-effective means to diversify exposure in financial markets. Actively managed funds with a thematic focus enable consistent capital growth opportunities.

#### Key actions

##### Scenario 1

- Adjust your private investment strategy to focus more on income-paying investments as part of a multi-asset portfolio.
- Learn about fixed maturity bond funds, and high-yield as well as emerging market bonds that pay an attractive yield to maturity – and hold them to maturity.
- Tilt equity portfolios towards stable dividend-paying stocks.
- Learn about REITs and income-paying structured products such as Barrier Reverse Convertibles (BRCs) or dropbacks.
- Consider the delegation of your portfolio management with payout objectives if you are time constrained.

##### Scenario 2

- Focus on growing your capital with a blend of affordable ETFs and high-conviction thematic funds.

#### Investing pro tips

##### What does the term “yield” mean?

Yield is the term used to describe the income generated and realized on an investment over a specific period – usually one year – expressed as a percentage. Yield includes interest earned or dividends received by the investor but normally excludes price valuations – thus distinguishing it from total return, which incorporates interest, dividends and capital gains. With bonds, yields vary depending on the duration of the investment and the credit risk involved. Higher yields are often viewed as a sign of higher risk. Consequently, high-yield investments tend to attract investors with a larger risk appetite.

##### What is a fixed maturity bond fund?

Fixed maturity bond funds (also known as “target maturity bond funds”) offer investors a better yield by investing in a globally diversified portfolio of corporate and sovereign bonds with maturities that match or are close to the fund’s maturity date. The main benefit of this type of fund is that it provides investors with a payout structure that is comparable to a single-bond investment, but with greatly reduced single-issuer risk due to the diversified nature of the holdings, which may include bonds with different credit ratings, sectors and regions. Their fixed maturity date is a key feature distinguishing these vehicles from normal bond funds, which have no specific maturity date.

From an investor perspective, fixed maturity bond funds are attractive because they pay a steady income and offer certainty on the timing of the return of their principal – allowing investors to finance an expected future expenditure (e.g. purchasing a home or paying for a child’s education). When a fixed income bond fund matures, investors are repaid their share of its net asset value. However, it should be noted that fixed maturity bond funds do not offer capital protection or capital guarantees.

# 3

## Shifting priorities (typical age range: 45–60 years)

### How do dividend stocks differ from other stocks?

Dividend stocks are shares that make regular payments (“dividends”) to shareholders – usually in the form of cash payments that are distributed from the company’s retained earnings. Dividend-paying companies may make distributions on an annual, semi-annual, quarterly or even a monthly basis.

From an investor perspective, the advantages of dividend stocks include a steady income stream and the potential to generate good compound returns over time. In addition to the annual dividends, dividend stocks may pay a special one-time dividend following the liquidation of an investment or the sale of an asset. Other stocks do not provide regular dividends to shareholders – with companies electing instead to reinvest all of their earnings. Such firms – which are often focusing on delivering rapid growth – use their earnings primarily to fund their expansion.

### What are structured products?

Structured products are derivative financial instruments issued by banks with differing terms, payouts and risk profiles that are suitable for sophisticated investors. They are constructed around underlying assets which may be stocks, bonds, commodities, currencies, financial indices or even funds. The specific terms, payout and market risk profile of each instrument are defined individually at the time of issue. Investors are moreover exposed to the counterparty risk of the issuing bank. This means that if the issuing bank is bankrupt, the investor may be at risk of losing part or all of her money even if the instrument has performed well.

The three main categories of structured products are: capital protection, yield enhancement and participation. Capital protection products are generally considered to entail the lowest risk, while participation products carry the most risk, and yield enhancement products rank in between. Some structured products offer 100% capital protection of the initial investment, while others offer conditional capital protection that is linked to the performance of the underlying asset. A key benefit of structured products is diversification: They offer investors exposure to a wide range of markets and are flexible – meaning they can be tailored to individual investment needs.

As their careers advance and their children grow up, women tend to have a higher income, an increased savings rate, a larger amount of capital and possibly a mortgage (it takes an average of around ten years of family income to afford the purchase of a home in most OECD countries). At this stage, the combination of new financial needs and obligations and an evolving outlook on life typically coincides with women becoming more sophisticated investors. They may have developed specific investment interests or convictions, be able devote more time to their finances, or want to engage more directly in their investment decisions. This is the time when women reach full maturity as investors

– it is now that their investment portfolios can become more diverse, and more strategic, and may therefore allow them to incorporate some leverage. At this point, female investors with greater fluency and investing experience can appreciate the benefits of structured products and may more broadly than before become interested in vehicles that offer protection around equity investments. They are often also willing to consider more speculative trading activities or alternative investments, such as hedge funds or private equity. And in certain regions, women are encouraged to start funding annuity products in order to unlock guaranteed income streams once they retire.

## Investing don’ts

### Don’t construct your portfolio through haphazard purchases.

Construct your core portfolio with your investment objective and risk tolerance in mind. When investors concentrate on the short term fluctuations of the markets, they make investment decisions that may be emotionally charged, based on information often captured in one moment in time and lose sight of long-term investment goals.

### Don’t invest too much in illiquid assets.

Particularly when you know that you will need a steady income flow for a while.



### Life changes

Divorce is an event that can trigger drastic changes in a woman's financial situation and it warrants adjustments in her investment strategy. It may therefore be necessary for women to continue tilting investment portfolios toward payout strategies (as in the previous lifecycle stage) to compensate for income volatility.

Another financially meaningful event that can start to occur in this phase of women's lives is inheritance – with all the additional needs that arise through broader and more complex or diverse portfolios.

### Key actions

#### Seize opportunities to enhance your investment strategy

- Maximize the loan-to-value (LTV) on assets when incurring liabilities through mortgages or loans.
- Diversify your portfolio by adding new asset classes (e.g. private equity or hedge funds) while making sure you have target investment strategies that help grow your capital.
- For private equity and hedge funds, seek professional advice when you do not have the skills to select your own products.
- Consider delegating the management of your investments to a portfolio manager in order to allow for more complexity within your holdings.
- Look at thematic funds as a means of investing according to your specific interests.
- Continue to learn about and explore different structured products.
- Start devoting part of your wealth to a pension annuity plan.

### Investing pro tips

#### What is the difference between active and passive funds?

An actively managed investment fund is one where a professional fund manager selects a portfolio of assets to be included in that fund. The manager monitors investments within the portfolio on a regular basis and makes adjustments to take advantage of market and/or economic conditions when and where necessary. In contrast, passive funds (also known as “index trackers,” “tracker funds” or ETFs) tend to buy all, or the majority, of the assets in a particular market – meaning the passive fund closely mirrors the performance of that index. Active funds are generally more expensive than passive funds. Passive funds are a good way to invest – especially after sharp sell-offs – as they give exposure to the broader market trend and risk (known as “beta” in financial jargon). Active funds make sense in more mature market phases such as after long rallies, as the wider market may trend sideways. Security selection (known as the “alpha”) is what matters in this scenario.

### What is “loan-to-value” (LTV)?

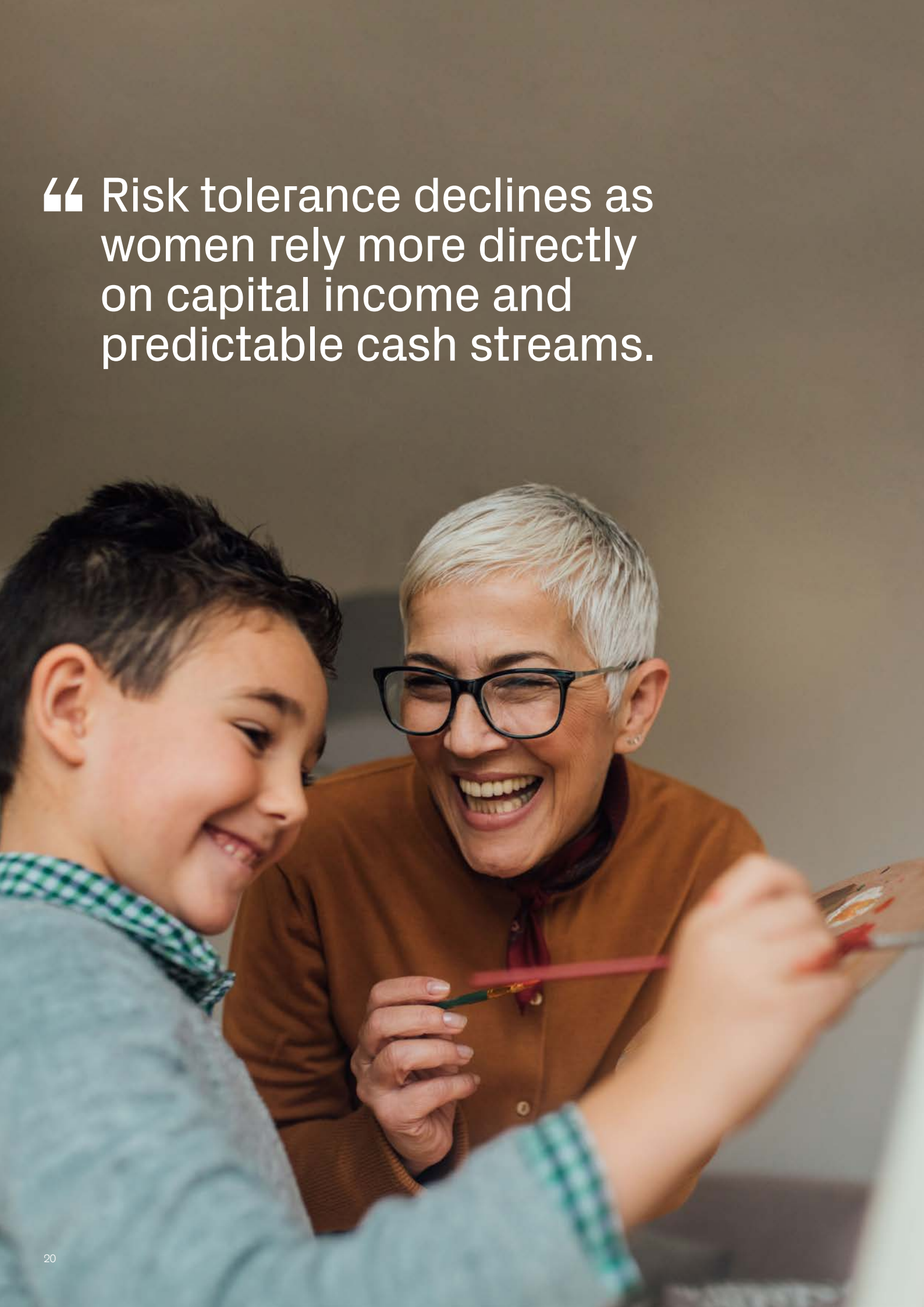
Loan-to-value is the ratio of a loan to the value of an underlying portfolio of assets. In light of the low interest rate environment, which has made borrowing cheap, taking out a loan to invest has become a popular way for investors who can shoulder the risk to enhance the yields earned on their investment portfolios. Of course, building financial leverage into investments also increases the risks for investors. If the asset portfolio, in particular, decreases in value (such as in a downward phase for financial markets), margin calls require investors to provide additional security for their loan – potentially placing them in an uncomfortable situation. Loan to value can also become relevant when seeking a mortgage for a secondary home, for example. In such cases, assets with high loan-to-value levels are attractive because they help to maximize the loan that can be offered to you. Finding out the loan-to-value level of your investments can therefore be of interest.

“ Women’s investment portfolios can now become more diverse and more strategic.

### Investing don'ts

#### Don't let a “home country” preference bias your equity investments.

Investors have a natural tendency to only buy “local” and “local favorites” but this approach may prevent investors from achieving growth potential in a world of opportunities and from having prudent diversification. In equities, diversification is particularly important. Having said this, do not lose sight of currency risk when you diversify internationally. Exposure to different currencies can involve currency losses, particularly for fixed income portfolios. It is not wise to trade in and out of markets with your core assets and once again, time in the market is more important than timing the market!



“ Risk tolerance declines as women rely more directly on capital income and predictable cash streams.

## 4 Planning beyond work (typical age range: 60+ years)

With a longer life expectancy and an earlier retirement generally, women have a distinct need for their savings to last longer. Women need to actively evaluate how their investment portfolio can provide the income complement to offset the decline or discontinuation of a regular salary income. At this stage, their risk tolerance declines as they rely more directly on capital income and predictable cash streams to fund their activities and living costs. Hence, the focus is usually on low-risk investments. Many investors want their portfolios to be heavily tilted towards direct bond investments (fixed income) or other income investments with reliable annual cash streams and low volatility on the capital invested.

### Passing on wealth

Due to longer life expectancy, women may inherit money later in life and need to review their existing investment portfolio and adjust it accordingly. Typically in this lifecycle stage, women are thinking about safeguarding and eventually passing on their wealth to the next generation. An ESG-focused investment approach may be particularly appealing. ESG investing is increasingly emerging as a way to manage investment risks by creating transparency, thereby limiting potentially harmful developments for portfolio performance by identifying areas of controversy for companies.

### Key actions

#### Taking care of yourself – and the next generation

- Consider whether your priority is to have more free time in this lifecycle stage or a larger pension and use this to steer your investment strategy at this stage.

- Consider downsizing: the capital released from the sale of your home could be used to supplement your retirement savings.
- Shift to a more income-oriented investment strategy that emphasizes predictable cash payments to generate a steady income during retirement. Fixed maturity corporate bond funds and other credit funds provide diversification and ensure sources of income.
- Learn about and explore ESG investment solutions as well as impact investing as a way to make a positive impact through your investments.
- Inheritance planning.

### Investing pro tips

#### What is an annuity?

An annuity is a form of pension purchased from an insurance company. When you buy an annuity, you pay a lump sum of capital in return for a pre-defined income for the term of the policy. This consists partly of income generated on the capital paid and partly of the return on the capital. The purchaser's life span determines whether or not the annuity proves to be good value.

#### What is impact investing?

Interest in impact investing – investments that are aimed at making a direct contribution to a positive environmental or social impact and generating a financial return – are of increasing interest to investors. The level of engagement ranges from input on the company mission to active ownership. Private equity and private debt sit at the core of the impact investment market, and are therefore more suitable for sophisticated investors.

# Investing for trailblazers

There are of course many special situations adding twists and turns to the general lifecycle approach outlined. We focus on two important ones with investment strategy implications: 1) international mobility and 2) entrepreneurship.

### International mobility

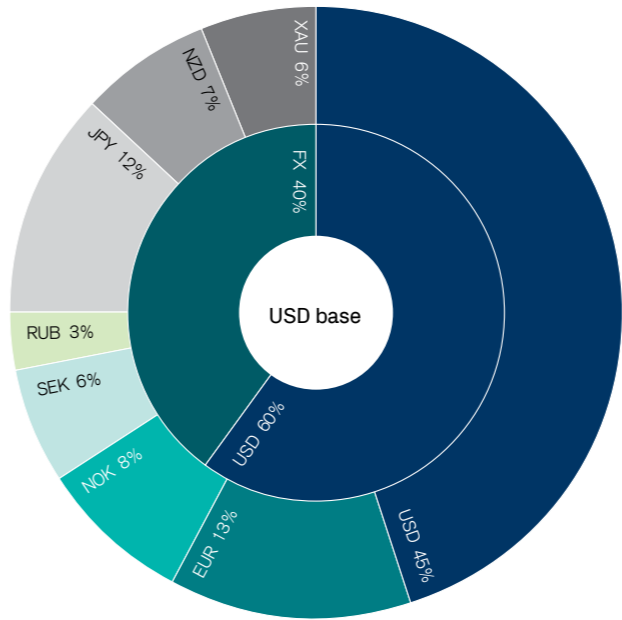
Women increasingly have opportunities to live and work in another country, which can add new dimensions to their investment strategy. In particular, multiple currency exposures can become part and parcel of their investment considerations. Most investors have a clearly defined reference currency for their portfolios. This reference currency is in general the same currency in which current or future life expenses are incurred. Women who live in several countries, for example, due to their international careers, secondary family residences abroad, or because of their children's studies in foreign countries, may need to make active decisions with respect to currencies in their portfolios and/or manage currency risk. For example, US nationals temporarily working in Switzerland might have to think about how much of their portfolios to keep in CHF and how much in USD, whether to hedge currency risk and what to expect from multi-asset portfolios denominated in CHF versus those denominated in USD.

Among the factors to consider is that currencies can have long-term depreciation and appreciation trends. Additionally, stocks and bonds of countries with long-term depreciating currencies tend to offer higher returns in local currency than assets of appreciating currencies. Over the long term however, it broadly balances out. So women with long-term investment horizons can determine their reference currencies based on other factors: their degree of personal comfort with one over the other, taxation, etc.

But there can be prolonged periods in which currencies deviate from their long-term trends. In these periods, it makes a very big difference to own portfolios in one currency over another. This is especially the case when women plan to use their assets to fund big ticket purchases. In such instances, it is prudent to own portfolios in the currency of the planned expense or to hedge their international portfolios back into the currency of the planned expense. FX-hedging costs are reasonably small when interest rate differentials across currencies are small. Relatively speaking, this is currently the case for many developed countries.

### USD model currency portfolio

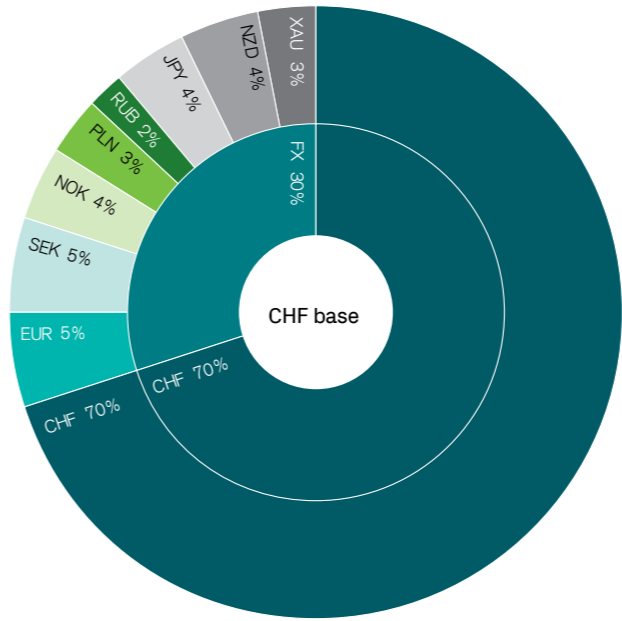
USD negatively-weighted. Diversification to SEK, XAU, RUB, NZD, NOK, EUR and JPY



Optimal Currency Portfolio		
Americas	USD	45%
	CAD	0%
	MXN	0%
EMEA	EUR	13%
	NOK	8%
	SEK	6%
	RUB	3%
	GBP	0%
	CHF	0%
	PLN	0%
	TRY	0%
APAC	ZAR	0%
	JPY	12%
	NZD	7%
	AUD	0%
	SGD	0%
	CNH	0%
	XAU	6%

### CHF model currency portfolio

CHF neutrally-weighted. Diversification to XAU, RUB, NZD, JPY, NOK, PLN, EUR and SEK



Optimal Currency Portfolio		
EMEA	CHF	70%
	EUR	5%
	SEK	5%
	NOK	4%
	PLN	3%
	RUB	2%
	GBP	0%
	TRY	0%
Americas	ZAR	0%
	USD	0%
	CAD	0%
APAC	MXN	0%
	JPY	4%
	NZD	4%
	AUD	0%
	SGD	0%
	CNH	0%
	XAU	3%

Note: The above is an indicative currency allocation and is meant for illustrative purposes only. Please note that currency allocation may be subject to change from time to time without notice  
Source: Credit Suisse, September 2020

## Entrepreneurship

When women start their own business, they may have to pledge their personal assets against loans for their firms or otherwise add liabilities to their financial situation. In such instances, liability management becomes an important area for women to learn more about. Liability management can also start for women when they first take out a mortgage to fund their home.

There are many aspects that make for good liability management. We would like to focus on interest payments and the management thereof. Interest payments are very dependent on interest rate levels and maturities and hence introduce the concept of interest rate curves (see graph below).

Interest rate curves can be flat (i.e. long-term interest rates are barely higher than short-term interest rates). In general, this happens in mature business cycles. They can be steep (much higher long-term interest rates than short-term interest rates). This is the case when economies grow strongly and there is some inflationary pressure as a result. More rarely, interest rate curves can invert (long-term interest rates are lower than short-term interest rates).

The shape of interest rates curves and the level of interest rates will determine how women

decide upon the maturities of their loans, which will determine the interest they will pay. When yields are low and curves flat or in the more unusual case of inverted yield curves, it makes a lot of sense to fix interest rates as long as possible. Presently, this is especially the case in GBP, for example, where interest rate levels seem unlikely to stay as low over the long run. In EUR and CHF or JPY in contrast, it is less pressing to fix rates.

There are many factors, including aging populations and the inherent strength of these currencies relative to others, that suggest that interest rates will stay low for a long time. However, if there is a meaningful difference between short-term and long-term interest rates, women will have to balance the current funding cost advantage of short-term rates versus the risk that these funding costs may rise above current long-term yields over time. For example in USD, short-term (2-year) interest rates are presently at 0.2% versus 10-year at 0.7%. The US Federal Reserve has indicated it will hold policy rates close to zero until 2022, but thereafter it may well raise rates by 25 basis points 1-3 times over a 5-year horizon. This would bring short-term rates easily to current long-term rate levels. So, despite the higher costs of long-term funding over short-term funding in the first two years, over a 10-year horizon it will most likely be cheaper to fix current long-term interest rates.

# Conclusion: Leveraging the “XX factor”

The gender investment gap is real – but it is not insurmountable. As investors, women do have distinct needs, preferences and characteristics that call for an investment approach that supports them in building their wealth and securing their long-term financial independence.

We believe the financial industry can and should do more to make women’s wealth work more effectively for them, helping to close – and in time eliminate – the investment gap.

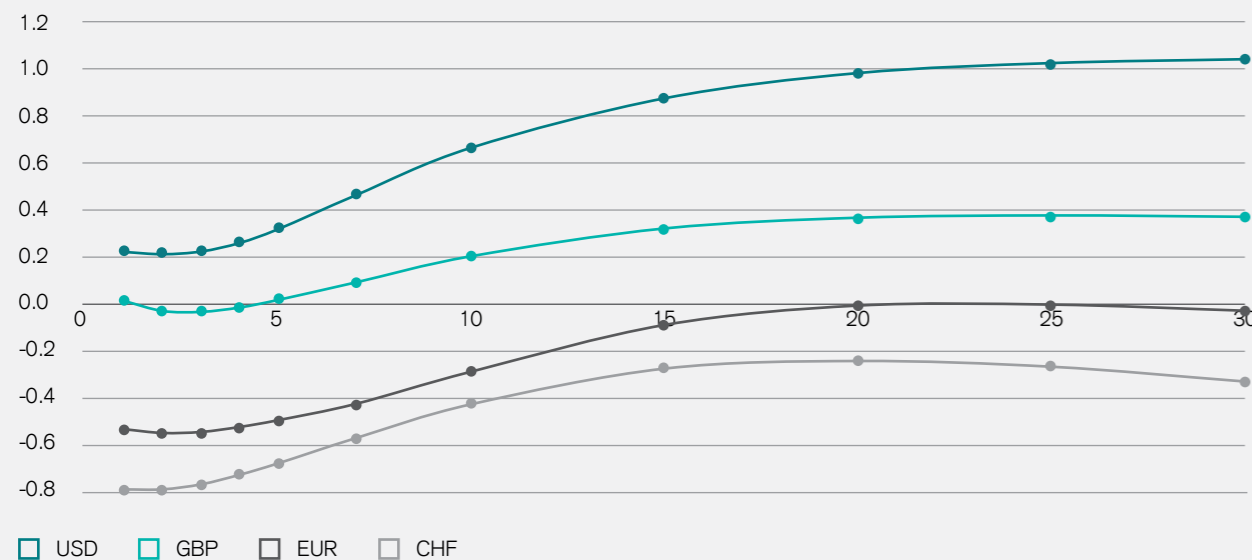
Among the key messages we emphasize is that women need to start putting their cash to work early on in their lifetime and be sufficiently exposed to equities as part of a multi-asset investment strategy.

In the challenging lower for longer interest rate environment, the ability to make selective investments wisely and manage finances actively comes center stage. That is why constructing an investment portfolio that truly reflects your individual needs and goals is time well spent. In this publication, we have described a lifecycle investing framework that helps women move toward this goal. Each investment decision will bring you closer to financial freedom.

Even the smallest steps can effect change. Enabling women to steer and grow their individual wealth actively will not only have an impact on their own lives and their families, but can shift societies as a whole. Let’s start working together to make it happen.

“ Constructing an investment portfolio that truly reflects your individual needs and goals is time well spent.

Swap rates (vs 3M), %



Source: Credit Suisse, Bloomberg

“ The most important investment lesson for women is to start putting their cash to work early on in their lifetime, build a multi-asset portfolio commensurate with their lifecycle needs and be sufficiently exposed to equities.



# Imprint

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