I doubt many would argue with the statement that men and women are very different. John Gray’s bestselling book *Men are from Mars, Women are from Venus* provided a practical guide to many of the common relationship problems between men and women that result from fundamental differences in their values and how they think.

Financially, we have also shown that there is a big difference between how men and women view finances during various life stages. Having worked with male and female clients ranging from self-made millionaires to those who have inherited family wealth, we have different collections of assets, different investment goals, different risk tolerances and different sensibilities.

Even within a household, the financial planning roles are completely different between patriarchs and matriarchs, but gender roles don’t tell the whole story themselves. Often, a client’s life stage is the most indicative element in their financial planning behavior.

Having worked with male and female clients ranging from self-made millionaires to those who have inherited family fortunes, I have found that the only similarity is that they are all different. They have different collections of assets, different investment goals, different risk tolerances and different sensibilities.

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I have worked with many women who have not been particularly active in the family’s finances until their husband passed away. I have also worked with women who have taken on a more active role in the family’s finances after divorce or the decision to remain single, marry later or divorce.

The Confidence Gap

Today, more and more young women are building wealth of their own, and it’s a wonderful thing to see. According to Prudential’s biennial study on the Financial Experience & Behaviors Among Women, women were increasingly found to be the breadwinners of many households and more likely to be single than a generation ago, either as a result of being widowed or the decision to remain single, marry later or divorce.

Equity markets continue to set new highs, but the exuberance we saw last year has been muted. As expected, with a more mature market, we saw a significant underperformance of small cap versus large cap stocks. Bond markets have continued to rally as the expected rise in rates has failed to materialize thus far. The 10-year treasury rate has settled into a 2.5 to 3.0 percent range, established since the Bernanke taper announcement in May 2013.

Fundamentally, U.S. economic activity continues to be stable with gradual improvement continuing. Earnings reported in April for Q1-2014 were solid, supporting valuations. Seventy-five percent of companies reporting in April for Q1-2014 were solid, supporting valuations. Expectations for the remainder of the year are increasing as a cold winter’s impact on the economy dissipates.
We will continue to focus on what we determine to be drivers of interest rate changes, such as inflation expectations, risk premiums, liquidity premiums and opportunity costs. Looking forward, continued progress on wage growth, unemployment, consumer balance sheets, productivity, factory capacity utilization and other metrics are trending favorably to allow for higher rates. Whether such improvement is attributable to monetary policy, or political party, is not important from an investment perspective. What is important is that these trends continue to be supported and to keep diligent watch for substantial changes in trends to mitigate downside risk.

— Jerry Braakman is Chief Investment Officer jbraakman@firstam.com

My Two Cents — from page 1

However, there is an interesting disconnect that studies have found involving younger women who are in relationships. According to one from Fidelity Investments, 24 percent of women from the Baby Boomer Generation identified themselves as the primary household decision maker for day-to-day financial decisions, while only 17 percent of Generation X women and 12 percent of Generation Y women felt the same way. It's a stunning statistic, which implies that women become twice as involved in household finances as they go through different life stages.

Oftentimes, there is a confidence gap between men and women when it comes to financial planning. The confidence gap usually closes over time, as women learn more about wealth management and take on more financial responsibility within the family unit.

Different styles

As women achieve greater financial aptitude, they are more inclined to take the reins from their husbands or other family members; however, that does not mean they are likely to manage money the same way as their male counterparts. The financial styles of men and women can be distinctly different from each other no matter what life stage they are experiencing – different concerns, different priorities and different sensibilities.

Consider these findings from the Prudential study:

• When men and women worry about money, they worry in different ways. Women worry most about household expenses, debt and saving for retirement, while men are more focused on broader and more abstract challenges such as the state of the economy.
• Men have a much greater appetite for risk. About 70 percent of women see themselves as savers rather than investors, and they are more likely to put their money in an FDIC-insured product such as a normal savings account. Men, on the other hand, are the exact opposite with 70 percent of them preferring to invest, embracing a certain amount of risk if it could yield a greater financial reward.

There is also a level of enjoyment that is at play here. About 40 percent of the men in the Prudential survey said they actually enjoy the sport of investing. That’s taking confidence to a higher level, and it’s very telling about the difference in men and women as it pertains to their financial planning tendencies.

It comes down to confidence, and this conclusion from Prudential could be the most insightful: “Women not involved in financial decisions most often claim a lack of financial knowledge, while uninvolved men say they are too busy with other obligations.”

My experience has taught me that no two clients are the same. They each have different financial needs and styles despite what gender or age they happen to be. Yet, these studies can be instructive as they point toward a need for more financial education and empowerment in women.

— Kimberly Dwan Bernatz, CFP® Senior Vice President kbernatz@firstam.com

Honors

Gala 2014 Creating Hope

Our own relationship manager, Jody Hudson, was awarded “Alzheimer’s Volunteer Partner of the Year” by the Alzheimer’s Association, Orange County for her generous volunteer work throughout 2013. Jody, who is a founding member of Alzheimer’s Visionary Women 1000, was one of four recipients honored at an event that took place on March 1 at the Balboa Bay Club in Newport Beach. Aided from a splendid gourmet dinner, attendees were treated to a special performance by singer Taylor Hicks, winner of Season 5 American Idol. In addition, the successful event that drew some 300 people raised more than $525,000 for research to battle the Alzheimer’s disease, supporting programs, continuing education and services. Jody requested that any seat purchases and donations be made in honor of her own father, who is currently living with Alzheimer’s.

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Investment Focus
A more challenging market was expected this year as we are extending a very long bull market. But we do not think economic expansion will stall and lead to recession. In contrast, as slacks in the economy dissipates, we continue to believe economic expansion will accelerate. As growth was scarce in a slow growth environment, aided by global weakness, those few companies still exhibiting strong earnings growth were bid higher and higher, creating rich valuations. As economic recovery broadens into mid-cycle, revenue growth will spread to more companies, benefiting value-oriented investment, such as mature large companies. The market signaled this change with outperformance in value and dividend paying stocks since late February, as well as large cap stocks outperforming small caps. Although we think that growth has sold off quite rapidly and provides some near term opportunities, we expect to continue to transition our client portfolios towards more value stock strategy half of the year as GDP growth accelerates. Taking a long-term perspective, value does outperform growth with less volatility. The three years prior to February, growth styles did outperform, which helped our performance, but we feel this run is at or near the end.

Mid-cycle economic activity should also impact fixed income expectations. Treasury rates have not skyrocketed as others expected, and this has helped our fixed income return due to our longer duration positions and our exposure to credit (corporate bonds). We are anticipating that rates will eventually move higher, thus, we are shortening the duration of our client portfolios by reinvesting in shorter duration vehicles as existing bonds mature. Our over-allocation to corporate bonds during the last few years has served our clients well as they have performed nicely as credit spreads narrowed. We will bring that allocation in line over the next two years as well. We are not worried about another credit event in the next term, but do want to do some over-allocation prior to the next cycle. By reducing our allocation over time, we can gradually implement these changes with maturing cash flows and not have to trade positions or incur trading expenses.

Monetary Policy
The past five years have seen unprecedented monetary policy implementations in the U.S. economy in an attempt to mitigate the effects of recession. We understand some may have different political views on the efficacy of these policies, and while it will take many more years to fully assess, the impact of the policies on our markets is and has been significant. The diatribes of pundits and economic advisors are inconclusive. Hence, we continue to focus on economic results more so than Fed actions. Specifically, interest rate changes disproportionately impact segments of our economy, and thus an outlook of those changes is important. Although markets can create volatility based on perceptions (exacerbated by hedge fund and computerized trading), our longer term views allow us to disassociate short-term fluctuations.

We will continue to focus on what we determine to be drivers of interest rate changes, such as inflation expectations, risk premiums, liquidity premiums and opportunity costs. Looking forward, continued progress on wage growth, unemployment, consumer balance sheets, productivity, factory capacity utilization and other metrics are trending favorably to allow for higher rates. Whether such improvement is attributable to monetary policy, or political party, is not important from an investment perspective. What is important is that these trends continue to be supported and to keep diligent watch for substantial changes in trends to mitigate downside risk.

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• There is also a level of enjoyment that is at play here. About 60 percent of the men in the Prudential survey said they actually enjoy the sport of investing. That’s taking confidence to a higher level, and it’s very telling about the difference in men and women as it pertains to their financial planning tendencies.

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Market Watch

By Jerry Braakman

Economy markets continue to set new highs, but the exuberance we saw last year has been muted. As expected, with a more mature market, we saw a significant underperformance of small cap versus large cap stocks.

Bond markets have continued to rally as the expected rise in rates has failed to materialize thus far. The 10-year treasury rate has settled into a 2.5 to 3.0 percent range, established since the Bernanke taper announcement last year. In the precious metals arena, lower treasury rates with stable inflation have helped gold partly recover from last year’s painful sell-off.

Fundamentally, U.S. economic activity continues to be stable with gradual improvement continuing. Earnings reported in April for Q1-2014 were solid, supporting valuations. Seventy-five percent of companies reported revenues exceeded expectations. Expectations for the remainder of the year are increasing as a cold winter’s impact on the economy dissipates.