

HOW WOMEN (AND MEN) INVEST IN STARTUPS

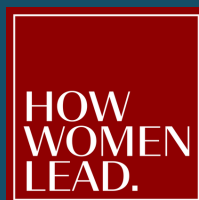
A Roadmap to Unlocking Women's Wealth
As a Source of Startup Funding

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How Women (and Men) Invest in Startups

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Executive Summary

Investing in startups as an asset class for high-net-worth individuals (HNWI) is in its nascent stage — only a miniscule percentage of people who can invest do. If investing in startups becomes more accessible to HNWI, particularly women, it has the potential to become a major source of capital for women and Black, Indigenous, and people of color (BIPOC) founders, and the venture funds that invest in them. This capital pool will grow the U.S. economy and create jobs while creating a fairer more innovative, competitive, inclusive, and resilient economy.

Women can leverage their wealth and passion for social responsibility to create a more robust, inclusive economy. *How Women (and Men) Invest in Startups* identifies ways to unlock women’s wealth as a source of startup funding.

Wealthy women’s style of investing is different than their male counterparts’. Women are more likely than men to invest for the long haul, spread risk by buying diversified funds instead of individual stocks, and make a social or environmental impact with their investments. Women are less likely than men to trade frequently and rely on their gut. These tendencies make them prime prospects to invest in small, emerging, and diverse managed funds.



*Barber M. Brad, and Terrance Odean. 2001. “BOYS WILL BE BOYS: GENDER, OVERCONFIDENCE, AND COMMON STOCK INVESTMENT,” *Quarterly Journal of Economics*, Volume 116, Issue 1, February 2001, Pages 261–292. <https://faculty.haas.berkeley.edu/odean/papers/gender/boyswillbeboys.pdf>.

The market is growing: Women are poised to inherit a large share of the \$30 trillion that will be passed down from Baby Boomers and older generations.¹

Obstacles to Funding Female VCs and Founders

Female venture fund managers and startup founders have a markedly harder time than their male counterparts raising capital from institutional investors. Startups founded solely by women raised only 2.4% of venture capital for the first half of 2022, according to PitchBook.² Startups with at least one female founder received 17.2% of

¹ Baghai, Pooneh, Olivia Howard, Lakshmi Prakash, and Jill Zucker. 2020. “Women as the next wave of growth in US wealth management,” McKinsey & Company, July 29, 2020. <https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>.

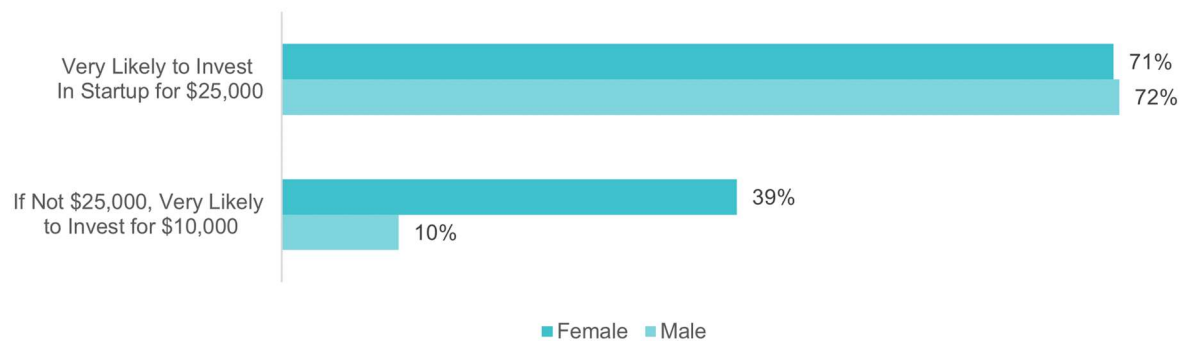
² 2022. “The Q2 2022 PitchBook NVCA Venture Monitor,” PitchBook, July 2022. <https://pitchbook.com/news/reports/q2-2022-pitchbook-nvca-venture-monitor>.

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venture capital. As a result, they rely more on HNWI — also known as accredited investors, the term the U.S. Securities and Exchange Commission (SEC) uses. To tap into the accredited investor pool of capital, five obstacles to investment need to be overcome.

1. **High investment requirement by most venture funds excludes most accredited investors:** The minimum check sizes that most venture funds require are too high to attract most wealthy women resulting in a general belief that venture capital is only for the ultra-wealthy. Nearly three quarters of both male and female investors would write a check for \$25,000 to invest in startups directly or as a limited partner (LP) in a venture fund. For those who said “no,” they wouldn’t invest for \$25,000,” 39% of women and 10% of men said they would write a check for \$10,000.

INVEST IN STARTUPS IF CHECK SIZE IS \$25,000. IF NOT \$25,000 THEN \$10,000



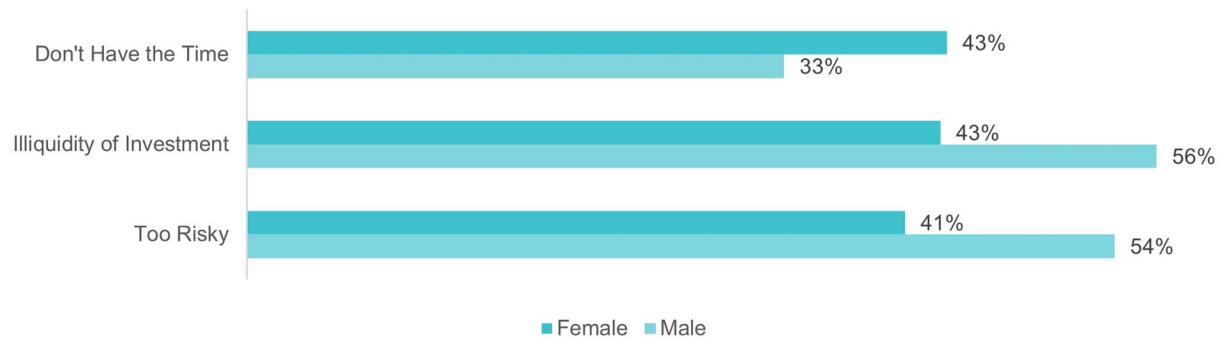
2. **Most women don’t have time to do due diligence:** There is a lack of research coverage of startups and small, emerging, and diverse managed funds making it more important that investors perform due diligence or find credible trustworthy sources who have the time it takes to conduct due diligence on startups and the venture funds that invest in them. Due diligence is time-consuming and a higher share of women (43%) compared to men (33%) do not have the time to do it.
3. **Women have concerns about the time it takes to profit from startup investments:** The illiquid nature of the investment means in general money is tied up for five to seven years for direct investments in startups, and 10 years for venture funds. Since women take the long view on investing, they (43%) are less concerned than men (56%). Still, a substantial minority of women are concerned about locking up their investments for a long period.
4. **Lack of a track record in VC:** The lack of consistent performance data can make raising capital for a first, second, or even third venture fund more difficult. It can take five to seven years before data is available on an emerging manager’s investment thesis — the strategy by which a venture capital fund makes money for the fund investors.³
5. **Investing in startups is risky:** A substantial minority of women (41%) indicated investing in startups is risky. Interestingly, they were less likely than men (54%) to indicate investing in startups as risky. Women are risk-aware investors.⁴

³ Bogoslaw, David. 2022. “Women-led VCs hit milestone but still face significant fundraising challenges,” Venture Capital Journal, May 5, 2022. <https://www.venturecapitaljournal.com/women-led-vcs-hit-milestone-but-still-face-significant-fundraising-challenges/>.

⁴ Railey, Meghan. 2022. “If female investors have any weakness, it’s their mistaken belief that they’re not good investors,” CNBC.com, April 11, 2022. <https://www.cnbc.com/2022/04/11/op-ed-heres-why-women-are-better-investors-than-men.html#:~:text=However%2C%20while%20many%20may%20think,2021%20Women%20and%20Investing%20Study>.

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RESISTANCES TO BE OVERCOME IN INVESTING IN STARTUPS



Addressing Barriers Through Policy

Lowering barriers requires recognizing the market opportunity and addressing systemic challenges through policy changes.

1. **Raise the number of accredited investors allowed to invest in micro funds:** The 99-accredited investor rule limits the amount of money diverse founders and fund managers can raise from HNWI who, while wealthy, make relatively small investments compared to institutional investors. The 2018 Economic Growth, Regulatory Relief, and Consumer Protection Act enabled funds of \$10 million or less to increase the number of accredited investors from 99 to 249. The number of women-led funds surged.⁵ Now, the number should be increased to 499.
2. **Raise the value of micro funds:** Lift the ceiling on funds that can raise money from more than 99 accredited investors, from \$10 million to \$50 million.

Women: A Missed Opportunity for Products and Services

Growing investment in startups as an asset class for HNWI requires a different approach for women than men and may require industry adaptation and even disruption.

1. **Wealth management firms that meet affluent women's wants will win their business:** Wealth management firms currently have a reputation for underserving their female clients. Firms that meet affluent women's wants will win their business. Even though men and women use financial advisors nearly equally, men are more likely to manage their portfolios themselves. Because women (45%) rely more on the advice of their financial advisors than men (31%) do, advisors have the potential to play an important role for women in shaping their investments in startups.

⁵ Leslie Feinzaig. 2020. "New data shows the number of women-led VC funds is exploding," fastcompany.com, October 22, 2020. <https://www.fastcompany.com/90567387/women-in-vc-growth>.

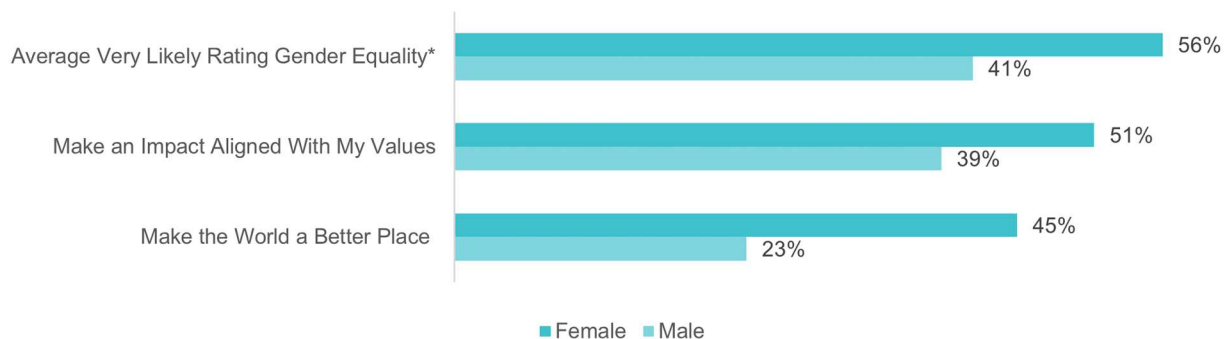
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WOMEN ARE IDEAL WEALTH MANAGEMENT CLIENTS



- Communicating that investing in startups can have a meaningful societal effect:** Wealthy women are socially conscious. They are more likely than their male counterparts to invest to make an impact aligned with their values, make the world a better place, and close gender gaps. Communicating clearly about how a fund’s investment thesis goes beyond delivering a return on investment (ROI) to making an impact on humankind is essential.

WOMEN HAVE STRONG INTEREST IN INVESTING IN STARTUPS TO BE SOCIALLY RESPONSIBLE



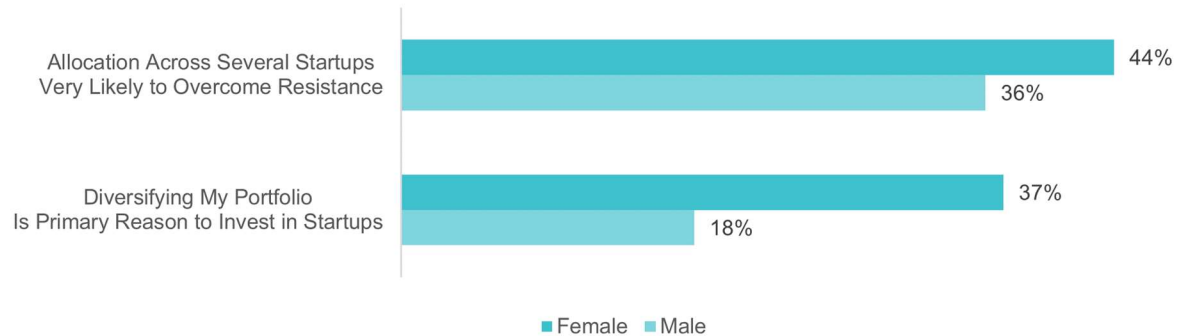
*Using a four-point scale, respondents rated the importance of investing in startups to improve corporate diversity and support a more inclusive and equitable society. The gender equality rating is an average of the very important percentage for the following factors:

- Investing in women and achieving liquidity events is a way to close the wealth gap. A liquidity event — such as a merger, acquisition, or initial public offering — allows founders and early investors in a company to cash out some or all of their ownership shares.
- Funding female founders is a way to get more women into C-suite positions.
- Funding female founders is a way to ensure more women are on corporate boards.
- Funding female fund managers is a way to increase the flow of capital to female founders.
- Funding startups is a way to increase the flow of capital to females of color founders.
- Funding startups is a way to increase the flow of capital to immigrant female founders.
- Funding female founders is a way to have more products and services that improve women's lives.
- Funding female founders is a way to support companies that positively impact the women they employ.
- Funding female founders is a way to support companies that improve women's lives in their supply chain.

- Appeal to women’s investing smarts:** Women (37%) are more likely than men (18%) to invest in startups to diversify their portfolios to mitigate risk. Because funds invest across startups, venture funds will be more appealing than individual startups to women.

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APPEAL TO WOMEN'S INVESTING SMARTS: FINANCIAL REASONS TO INVEST IN STARTUPS



4. **Fill information gaps:** It's not just wealth management firms that can fill information gaps, influential startup investors can, too. Investors who have evaluated small, emerging, and diverse fund managers and startups can share their insights.⁶

Given these factors, financial services firms will win business by creating products or services in which they conduct diligence on female-founded startups and venture funds for a minimum investment size of \$10,000 or \$25,000.

Diversity Is a Market Opportunity

Demographics such as gender are one way to understand the investment habits of HNWI. Personas are another.

To engage wealthy women in investing in startups, it is important to understand the common traits that reveal different groups' investment behavior, values, barriers, and expediting factors to investing in startups. Analyzing survey results using a human-centered design approach, functional and emotional needs were considered in developing four distinct female accredited investor personas, with different priorities. Their differences show that a multifaceted approach is needed to attract investors.

Self-reliant investors have deep expertise and are the most likely to be involved in investment groups. They can monetize their expertise by developing investor scorecards, forming and leading syndicates, becoming scouts for venture funds and crowdfunding platforms, or sharing the criteria they use for due diligence as part of their thought leadership.⁷ Self-reliant investors are a market opportunity for small, emerging, and diverse managers; investment groups; crowdfunding platforms; and Self-Directed IRAs⁸ (SDIRAs). Industry players can leverage these women's influence through partnerships. To attract these women, emphasize ROI while also making an impact.

Collaborative investors rely on their own skills and others, including financial advisors and investment groups. They have a consultative investment style that blends outside advice with their own research and knowledge. Wealth management firms can tailor their value proposition to include offering vetted small, emerging, and diverse manager funds with a check size of \$25,000 or less. They are also a market opportunity for crowdfunding

⁶ Stengel, Geri. 2021. "Changing The Capital Flow Paradigm For BIPOC Female VC Fund Founders," forbes.com, October 20, 2021. <https://www.forbes.com/sites/gerienstengel/2021/10/20/changing-the-capital-flow-paradigm-for-bipoc-female-vc-fund-founders/>.

⁷ IBID.

⁸ A self-directed individual retirement account (SDIRA) is a type of individual retirement account (IRA) that can hold alternative investments, including startup investment, normally prohibited from regular IRAs. Although the account is administered by a custodian or trustee, it's directly managed by the account holder, which is why it's called self-directed.

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platforms and SDIRAs, especially if the women are business owners. To attract these women, emphasize that investing in startups is a way to grow and diversify portfolios while getting female founders funding and closing the wealth gap for women.

Mission-driven investors are loyal to and rely heavily on their wealth management firms. Retired or nearing retirement, they are not likely to be interested in SDIRAs and doing follow-on investments on crowdfunding platforms. To continue to earn these investors' loyalty, wealth management firms should emphasize that investing in startups is a way to complement their philanthropy and make money. Mission-driven investors can go beyond their donations to social causes to leverage the power of the markets to create change that is personalized to their values by investing in small, emerging, and diverse managers or individual startups.

Equality-focused investors are the most time-starved. They rely heavily on their financial advisors and express the most interest in being involved in investment groups or communities. Their interest in closing gender gaps makes investing in small, diverse-emerging managers and directly in startups very appealing. They are also a market opportunity for crowdfunding platforms and SDIRAs, especially if they are a business owner. To attract these women, emphasize:

- How the startup or fund closes gender gaps.
- The professional management of the investing process, which can be achieved through a wealth management firm.
- The value-add investment groups could play in vetting small, emerging, and diverse managers.

Conclusion: Tapping Women's Wealth Requires a Multiprong Approach

Women investors are not monolithic. Their needs differ both functionally and emotionally by persona and demographics. The Report found three primary areas of opportunity:

- **Catering to women's desire to do well by doing good:** The way to affluent women's portfolios is to offer investment vehicles that blend ROI with making an impact, especially when that impact creates a fairer, more equitable world. By investing in startups, women can personalize their investment portfolios to reflect their specific values.
- **Making investing in venture funds affordable:** Women have a preference for investing in funds as opposed to picking individual companies. However, the minimum investment of most venture funds is in the hundreds of thousands of dollars, if not millions. As of 2018, venture funds of \$10 million or less were permitted to increase the number of accredited investors they can raise from 99 to 249. Based on the success of the new law, raise the number of investors from 249 to 499 and increase the fund size to \$50 million. This will enable more small, emerging, diverse funds to accept checks of \$25,000 or less.
- **Filling the gap in information:** Women are savvy and sophisticated investors. Appeal to their investment smarts. Women are deliberative in their decision-making process, especially in the face of uncertain economic times. Their reluctance to invest is often due to a gap in information. Filling the gap in information is an opportunity for wealth management firms, online platforms, investment groups, and startup investment influencers. Once women have the data, they have high confidence in their ability to reach their investment goals.

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Introduction

Innovation Drives the Economy Forward

Economies that prosper have steady streams of startups and growing firms. Especially vital are the high-growth firms' innovative technologies, products, business models, and marketing strategies. These companies create jobs, improve productivity, and grow the economy.

Women are increasingly leading these high-growth firms, which frequently require venture capital to scale. In 2006, 3,185 venture capital deals were done with all male-founder teams, 229 were done with startups having at least one female founder, and just 66 were done with all-female founder teams. In 2021, the number of deals grew to 13,107 for all male-founder teams, 4,215 for teams with at least one female founder and for all-female founder teams 1,072. The growth rate for all-male founder teams was 312%, mixed-gender founder teams was 1,741%, and all female founder teams 1,532%.⁹



Yet only a small share of venture dollars goes to female founders. Startups with at least one female founder received 17.2% of venture capital for the first half of 2022, according to PitchBook. Startups founded solely by women raised only 2.4% of venture capital.¹⁰

Two primary factors account for the gap: Women are less likely than men to found scalable startups¹¹ and male investors — who manage most of the dollars invested in startups — are less likely to invest in female-founded startups¹².

It's hard to believe that in an age when people know the benefits of investing in diversity,¹³ 83% of VC funds go to all-male-founded startups.¹⁴

When female founders cannot raise venture capital for their startups, they also cannot create disruptive technologies, products, and business models. Innovation doesn't just happen. It is the result of unexpected insights based on business and personal life experiences. Women's experiences are different from those of men, but they are just as critical to creating a vibrant economy.

⁹ 2022. "The Q2 2022 PitchBook NVCA Venture Monitor," PitchBook, July 2022. <https://pitchbook.com/news/reports/q2-2022-pitchbook-nvca-venture-monitor>.

¹⁰ IBID

¹¹ 2016. "Kauffman Compilation: Research on Gender and Entrepreneurship, Kauffman Foundation," August 2016. https://www.kauffman.org/wp-content/uploads/2019/12/gender_compilation_83016.pdf.

¹² Brush, Candida G., Patricia G. Greene, Lakshmi Balachandra, and Amy E. Davis. 2014. "Diana Report: Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital," Arthur M. Blank Center for Entrepreneurship Babson College, 2014. <https://www.babson.edu/womens-leadership-institute/diana-international-research-institute/research/diana-project/>.

¹³ Gompers, Paul and Silpa Kovvali. 2018. "The Other Diversity Dividend," Harvard Business Review, July–August 2018. <https://hbr.org/2018/07/the-other-diversity-dividend>.

¹⁴ 2022. "The Q2 2022 PitchBook NVCA Venture Monitor," PitchBook, July 2022. <https://pitchbook.com/news/reports/q2-2022-pitchbook-nvca-venture-monitor>.

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In addition to greater innovation, economic growth, and job creation, profitable exits (via IPO or acquisition) for female founders will help narrow the gender wealth gap.¹⁵

An Untapped Source of Funding for Female Founders

Accredited investors — as angel investors and limited partners (LPs) in VC funds — have long been a source of capital for groundbreaking startups. However, only a tiny fraction of accredited investors invest in startups. And, of that fraction, only a small percentage invest in startups founded by women.

How Women (and Men) Invest in Startups explores how an untapped source of capital — affluent women — can be activated to provide funding to female founders, especially women of color (WOC). This Report focuses on how activating more female accredited investors to invest directly in startups (as angel investors) and in venture funds (as LPs) can increase capital to female founders.



This research is groundbreaking. No previous research has provided a perspective on the differences between women and men while delving into:

- The critical drivers of investment choices and the role these play in deciding to become an angel investor or LP.
- Why some investors hesitate to become angel investors or LPs.
- The factors that mitigate perceived risk.

By understanding women’s motivations, hesitations, and factors that may reduce friction, the ecosystem can create new policies, products and services, and messaging that appeal to female accredited investors.

About the Study

How Women Invest, a venture capital firm that invests exclusively in female-founded startups, commissioned Ventureneer and CoreWoman to better understand how to motivate more women to invest in startups. The research was undertaken to understand female accredited investors’ motivations and hesitations about investing in startups and compare them to those of men.

Women investors are not alike. They have a range of risk tolerances, investment goals, decision-making styles, and values that influence their investments. To explain these differences, four personas were developed. These archetypes exemplify the characteristics and needs of different early adopter market segments.

¹⁵ Chang, Mariko. 2015. “Women and Wealth: Insight for Grantmakers,” Asset Funders Network, 2015. https://static1.squarespace.com/static/5c50b84131d4df5265e7392d/t/5c54781a8165f5b8546f8a34/1549039642955/AFN_Women_and_Wealth_Brief_2015.pdf.



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The Report took two approaches to understand female accredited investors.¹⁶ First, we reviewed available data on topics related to women's investment style. This research informed the development of a questionnaire designed to identify the critical drivers of the decision to invest or not in startups and venture funds.

Between March 14, 2022, and May 31, 2022, over 66 individuals and organizations solicited both men and women who were likely to be accredited investors to complete the survey;¹⁷ 624 people responded.¹⁸

Applying human-centered design to previous research, analysis of survey results, and our partner's and our knowledge about the sector, four personas were developed: Self-Reliant, Collaborative, Mission-Driven, and Equality-Focused. These personas may be useful in designing policy, products, and messaging.

¹⁶ The term accredited investors is defined by the Securities and Exchange Commission (SEC) as individuals who are financially sophisticated and do not need protection under the law from investments that do not have a lot of public information available about them.

¹⁷ Self-selection bias may occur, because individuals have likely selected themselves to participate in the survey, thus generating a biased sample.

¹⁸ Attrition occurs when participants leave before completing the survey. To some extent it almost always happens. Systematic differences between people who leave the study and those who continue can introduce attrition bias into a study's results.

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Women Are Savvy Investors

Despite the perception that women are not good investors, research finds that they are better investors than men. That holds true whether women are managing their own investments,¹⁹ large-cap equity funds,²⁰ hedge funds,²¹ private equity funds,²² venture funds,²³ and emerging manager funds²⁴ ²⁵. Women who have the titles of VC, angel investor, or limited partner (LP) play an important role in funding female-founded startups.



Women-led venture funds are twice as likely to invest in startups with one female founder and more than three times more likely to invest in a female CEO.²⁶ A hopeful sign of progress is that the percentage of women who were VC general partners (GPs) was almost three and a half percentage points higher in 2021 compared to 2019. Women made up 15.4% of VC GPs as of September 30, 2021.²⁷

Over the past few years, the number of VC funds founded by women surged.²⁸ However, their assets under management (AUM) are, on average, much smaller than those of firms started by white men. Also, it takes much longer for women to close their funds.²⁹ In contrast to funds raised by men which are more likely to include institutional investors, individual investors play an outsized role in funding emerging funds raised by women and BIPOC.

¹⁹ Goudreau, Jenna. 2011. "Warren Buffett Invests Like A Girl?," Forbes.com, June 21, 2011.

<https://www.forbes.com/sites/jennagoudreau/2011/06/27/warren-buffett-invests-like-a-girl/?sh=4502aad06845>.

²⁰ Flood, Chris. 2020. "Female-managed US funds outperform all-male rivals," FinancialTimes.com, September 6, 2020.

<https://www.ft.com/content/021a1b60-a5fa-42ad-83b4-482268cac7ac>.

²¹ Wolinsky, Jacob. 2021. "Here Is Why Female Hedge Fund Managers Outperform Men," Forbes.com, July 31, 2021.

<https://www.forbes.com/sites/jacobwolinsky/2021/07/31/female-hedge-fund-managers-get-boost-from-are-less-confident-which-may-boost-returns/?sh=17bfe7131796>.

²² 2109. "EXAMINING THE RETURNS: 2019 The Financial Returns of Diverse Private Equity Firms," NAIC, 2019.

<https://2rp8zq2kdoxy38kvw23zbc-wpengine.netdna-ssl.com/wp-content/uploads/2020/03/2019-NAIC-ExaminingTheResults-FINAL.pdf>.

²³ Gompers, Paul, and Silpa Kovvali. 2019. "The Other Diversity Dividend," HarvardBusinessReview.com, July-August 2019.

<https://hbr.org/2018/07/the-other-diversity-dividend>.

²⁴ Emerging managers are defined by institutional investors (pension funds, banks, mutual funds, hedge funds, insurance companies, and endowments) as those who manage assets below a certain threshold, as having launched only a certain number of funds, or as an investment fund that is majority-owned by women and Black, Indigenous, or people of color (BIPOC). The specific criteria vary by the institutional investor. The definition that the Report uses is assets below \$50 million, three or fewer funds, and owned by women and BIPOC.

²⁵ 2019. "Venture Capital's Access Myth," Nothing Ventured, Nothing Gained — Greenberg Associates Blog, February 26, 2019.

<https://blog.greenspringassociates.com/venturecapitalsaccessmyth#:~:text=At%20Greenspring%20Associates%2C%20we%20believe,single%20most%20important%20factor%20in>.

²⁶ 2019: "All In: Female Founders in the US VC Ecosystem," PitchBook-All Raise, November 11, 2019.

<https://pitchbook.com/news/reports/2019-pitchbook-all-raise-all-in-women-in-the-vc-ecosystem>.

²⁷ 2021. "All In: Female Founders in the US VC Ecosystem," PitchBook-All Raise, November 1, 2021.

<https://pitchbook.com/news/reports/2021-all-in-female-founders-in-the-us-vc-ecosystem>.

²⁸ Feinzaig, Leslie. 2020. "New data shows the number of women-led VC funds is exploding," FastCompany.com, October, 22, 2020. <https://www.fastcompany.com/90567387/women-in-vc-growth>.

²⁹ IBID

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Accredited Investors

Becoming an angel investor or LP in a venture fund can be an opportunity for women to build their wealth and create the world they want to see. To do either without restriction, they need to be accredited investors.

The SEC defines accredited investors as individuals who can financially afford to lose their investment, without impacting their lifestyle.

To be accredited, investors need to meet one of four criteria:

- Net worth of \$1 million, excluding a primary residence.
- Individual income of at least \$200,000 in each of the two most recent years.
- For those filing jointly, a household income of \$300,000 in each of the two most recent years.
- Certification, designation, or credentials in certain professions, such as Series 7, Series 65, and Series 82 licenses.



Don't Quit Your Day Job (DQYDJ) estimates that there were 13,665,475 accredited-investor households in America in 2020. That's roughly 10.6% of all American households that controlled \$73.3 trillion in wealth in 2020. However, DQYDJ did not provide a gender breakdown for its estimates.³⁰

About 22% of the people who earn \$200,00 or more are women.³¹ Another study found that 33% of millionaires are women.³² These female accredited investors can be a life-changing resource for female- and BIPOC-founded startups and venture funds.

Female accredited investors have a different perspective from that of the men to whom financial advisors usually cater. To attract and retain female accredited investors as clients, a different approach is required.

Financial advisors don't think in terms of accredited investors. It's about net worth. Advisors target:

- High-net-worth individuals (HNWIs), people with assets between \$1 million and \$5 million.
- Very-high-net-worth individuals (VHNWIs) with assets between \$5 million and \$30 million. Funds targeting only qualified purchasers — having a portfolio of \$5 million + — are exempt from the 99-accredited rule.
- Ultra-high-net-worth individuals (UHNWIs) with an asset balance of more than \$30 million.

The terms “accredited investors,” “high-net-worth individuals,” “wealthy women,” and “affluent women” are used interchangeably throughout this Report.

³⁰ 2021 “How Many Accredited Investors Are There in America?” DQYDJ.com, June 8, 2021. <https://dqydj.com/accredited-investors-in-america/>.

³¹ Cook, Alex. 2022. “72% of Six-Figure Earners Are Men, While 57% of Workers Earning Less Than \$25,000 Are Women,” Magnify Money, February 28, 2022. <https://www.magnifymoney.com/news/gender-pay-gap-study/>.

³² McCain, Abby. 2022. “33 MILLIONAIRE STATISTICS [2022]: 8.8% OF US ADULTS ARE MILLIONAIRES, Zippia.com, April 5, 2022. <https://www.zippia.com/advice/millionaire-statistics>.

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Women Angel Investors Fuel the Growth in Women-Led Startups

In 2021, an estimated \$29.1 billion was invested by nearly 365,000 angel investors in about 70,000 startups, according to the Center for Venture Research at the University of New Hampshire.³³ Beyond money, angels provide mentoring, expertise, and connections to additional funders, customers, top talent, and acquirers.



In 2021, one-third — 33.6% — of angel investors were women. This is the highest reported percentage since the Center began tracking data.³⁴ The percentage has increased nearly sevenfold since the Center of Venture Research started tracking gender in 2004.

Having a growing number of women angel investors is significant, according to two reports by the Angel Capital Association.

- Female investors are dramatically more likely to consider the gender of the founders in whom they are investing. More than half — 51% — of women feel the founders' gender to be highly important, compared to 6% of male investors, according to The American Angel.³⁵ This Report finds that women consider gender as a way to proactively close the gap in funding going to female founders and make an impact. For men, preferring to invest in men is an unconscious bias.³⁶
- Over the course of 15 years, angel-backed companies with women CEOs have quadrupled from 5% in 2003 to 21% in 2018, according to the 2019 ACA Angel Funders Report.³⁷

Less than 1% of female accredited investors are angel investors. The numbers for men aren't that much higher: less than 2% of male accredited investors are angel investors.

Women LPs in Venture Funds

While there are data on the number and gender of angel investors, there is little information on women investing as LPs in venture funds. It's not required, mandated, or even recommended that LPs provide their names and demographics to the companies that provide data on private capital markets, including venture capital. Sometimes, it is the LP's preference. Other times it is the VC fund that prefers not to disclose for fear that a competing fund will steal the investor.

³³ Sohl, Jeffrey. 2022. "The Angel Market in 2021: Metrics Indicate Strong Market," Center for Venture Research, May 20, 2022. https://paulcollege.unh.edu/sites/default/files/resource/files/fy_2021_analysis_report_final.pdf.

³⁴ IBID

³⁵ 2021. "The American Angel," The Angel Capital Association, July 3, 2021.

http://docs.wixstatic.com/ugd/ecd9be_5855a9b21a8c4fc1abc89a3293abff96.pdf.

³⁶ Kramer, Andie. 2022. "Bias Holds Women Back," Forbes.com, February 24, 2022.

<https://www.sciencedirect.com/science/article/abs/pii/S0304405X19301>.

³⁷ "2019. "ACA Funders Report," Angel Capital Association, July 2019.

<https://www.angelcapitalassociation.org/data/Documents/Angel%20Funders%20Report/2019ACAAngelFundersReport-Final.pdf?rev=FC8B&submissionGuid=e96e4b59-e304-4368-84ff-b29508267b30>.

How Women (and Men) Invest in Startups

Mitigating the Risk of Investing in Startups

For accredited investors who are considering investing for the first time directly in startups or as LP, use these guidelines to do a self-assessment. Investing in startups is not for the risk averse. It is for the risk astute. Some best practices include:

- **Recognize the potential for losing the investment:** While some startups soar, others crash and burn. If investors cannot afford to lose their investment without losing their lifestyle, they should not consider investing in startups.
- **Patience is required:** On average, it takes five to seven years or even more before a startup sells itself or goes public. It can take 10 or more years for a venture capital fund to distribute its profits. Until then, investments are generally locked up.



Investing in startups is a long-term, illiquid investment.

- **Allocate a small percentage of assets:** Asset allocation balances risk and reward by apportioning a portfolio's assets into a mix of different investment classes according to an individual's goals, risk tolerance, and investment horizon. Whether investing directly in startups or as an LP, new investors to the asset class should only allocate a small portion of their portfolio — 5% or less.
- **Diversification is key:** Success in investing in startups is based on the law of averages. No single investment is a guaranteed winner but, by investing in 10 to 20 companies over the course of five years, chances are the investor will have success. An investment in a fund gives LPs an investment in multiple startups over a period specified by the fund.
- **Start small:** When investing in a new asset class, most investors should write relatively small checks — \$10,000 or \$25,000 — directly in startups or as LPs in venture funds.
- **Manage your time:** An angel investor may take 40 to 50 hours per company to conduct the due diligence on a proposed investment. In addition to money, founders look to angels for guidance and connections, so there can be an ongoing commitment of time. An angel group can reduce the time commitment. In an angel group, investors can:
 - pool capital to have a stronger negotiating position
 - share knowledge
 - obtain better deal flow
 - check their judgment against that of others
 - divide responsibilities to reduce the amount of time needed to choose and manage investments
 - consider investing as an LP. Unlike angel investing where investors roll up their sleeves and identify, vet, and provide guidance to a startup, LPs are not involved in a fund's day-to-day management decisions. These are made by the fund's general partners (GPs). However, LPs still need to do due diligence on the funds. While not widely done, diligence could be a shared responsibility similar to the way angel groups do it by dividing work based on skill set, or wealth management firms could by offering venture funds to their clients that include diverse-emerging manager funds.

How Women (and Men) Invest in Startups

Engaging Women Investors Through Their Personas

Investing in startups has yet to go mainstream. While a minuscule share of accredited investors enjoys the time-intensive nature of investing directly in startups, to capture the interest of the vast majority, investing must be much simpler. To help understand what would motivate women to invest in startups and what holds them back, the Report examined existing research as well as responses to the survey. Based on our analyses, four like-minded groups, or personas, were identified to understand the common factors that motivate women to invest in startups, friction points that hold them back, and how to address these sticking points.

These archetypes point out what product offerings appeal to them and why, and what to say when marketing to them. The four personas are Self-Reliant, Collaborative, Mission-Driven, and Equality-Focused.

	Self-Reliant	Collaborative	Mission-Driven	Equality-Focused
	They are confident investors who rely on their knowledge and research, and are most likely to manage their portfolios themselves.	They, too, are confident investors who rely on their knowledge and research, but to a lesser extent than self-reliant investors. They include others — spouses/partners and financial advisors.	They are conservative investors who rely heavily on their financial advisors. They are the least confident investors of the four personas. They are likely to consider investing in startups as akin to a philanthropic donation.	They are focused on closing gender gaps and are somewhat confident investors. These women rely on their financial advisors and are the most likely to rely on family, colleagues, and friends.
Profile	<ul style="list-style-type: none"> ● Likely to be Gen Xers and Baby Boomers.³⁸ ● Most have portfolios of \$2.5 million +. 	<ul style="list-style-type: none"> ● Most likely to be Gen Xers.³⁹ ● Most have portfolios of \$2.5 million +. ● More likely to be business owners. 	<ul style="list-style-type: none"> ● Most likely a Baby Boomer. ● Retired. ● Most have portfolios of \$2.5 million +. 	<ul style="list-style-type: none"> ● Most likely to be Gen Xers.⁴⁰ ● Most have portfolios of \$2.5 million +. ● More likely to be business owners.
Investment Style	<ul style="list-style-type: none"> ● Highly engaged in managing their portfolios and most likely to make decisions themselves. ● They use their knowledge and often do research when 	<ul style="list-style-type: none"> ● Actively directs building their wealth. ● Growth-oriented investors who maximize returns but consider capital preservation. ● Second most likely persona to be 	<ul style="list-style-type: none"> ● Least likely persona to be confident in their investing abilities and to be actively engaged in managing their portfolios. They are the most likely to rely on financial advisors. 	<ul style="list-style-type: none"> ● A somewhat confident investor. ● While the growth of their portfolios is important to them, they are more likely than Self-Reliant and Collaborative

³⁸ Millennials are beginning to approach their high earning years and are set to inherit money from their Baby Boomer relatives. They are more likely to want society to be inclusive in terms of gender and race and are more concerned about climate change and other social issues. While not yet showing a strong presence in the personas, once Millennials have the net worth, they are likely to wield the power of their portfolio toward gender and racial equity, and making an environmental impact even more than older generations.

³⁹ IBID

⁴⁰ IBID

How Women (and Men) Invest in Startups

	Self-Reliant	Collaborative	Mission-Driven	Equality-Focused
	<p>making investment decisions.</p> <ul style="list-style-type: none"> ● Confident in their investment decisions. ● Emphasize ROI, but without risking the overall value of their portfolios. ● Most likely to be investing in startups directly or as a limited partner (LP). ● They are influenced by the investor groups they belong to. 	<p>investing in startups directly and the third most likely to be an LP.</p> <ul style="list-style-type: none"> ● To a lesser degree than self-reliant investors, they rely on their knowledge and sometimes do research on their investments. ● They consult with their spouses/partners, financial advisors, and investor groups they belong on investment decisions. 	<ul style="list-style-type: none"> ● More likely to care about capital preservation than ROI. ● This persona is the least likely to be investing in startups. ● They invest in startups to make an impact that is aligned with their values and mission. ● They are loyal to their wealth advisors and value their advice. 	<p>investors to consider capital preservation.</p> <ul style="list-style-type: none"> ● Their investment decisions are influenced by their financial advisors, family, colleagues, friends, and their knowledge. ● This persona is the second most likely to use financial advisors.
Primary Motivations Ranked	<ol style="list-style-type: none"> 1. Making a social or environmental impact. 2. Ensuring gender equality. 3. Growing their portfolios. 	<ol style="list-style-type: none"> 1. Growing their portfolios. 2. Ensuring gender equality. 3. Making a social or environmental impact. 	<ol style="list-style-type: none"> 1. Make an impact that is aligned with their values and mission. 	<ol style="list-style-type: none"> 1. Ensuring gender equality.⁴¹ 2. Making the world a better place.
Primary Hesitations Ranked	<ol style="list-style-type: none"> 1. Illiquid investment. 2. Risky investment. 3. Time-consuming. 	<ol style="list-style-type: none"> 1. Time-consuming. 2. Illiquid investment. 3. Risky investment. 	<ol style="list-style-type: none"> 1. Illiquid investment. 2. Time-consuming. 3. Risky investment. 	<ol style="list-style-type: none"> 1. Time-consuming. 2. Risky investment. 3. Illiquid investment.

⁴¹ Gender equality includes having more products and services that improve the lives of women and girls, increasing capital to WOC founders, investment as a way to support companies that positively impact the women they employ, increase capital to female founders, close the wealth gap, get more women into the C-suite, increase capital to immigrant founders, and way to support companies that improve women's lives in their supply chain.

How Women (and Men) Invest in Startups

	Self-Reliant	Collaborative	Mission-Driven	Equality-Focused
Overcoming Primary Resistances Ranked	<ol style="list-style-type: none"> 1. Investing alongside experienced investors. 2. Allocating investments across several startups. 3. Investing with a community whose values align with theirs. 4. Professional management of the investment process. 5. Investment or \$25,000 of less. 	<ol style="list-style-type: none"> 1. Investing alongside experienced investors. 2. Professional management of the investment process. 3. Allocating investments across several startups. 4. Investing with a community whose values align with theirs. 5. Investment of \$25,000 of less. 	<ol style="list-style-type: none"> 1. Investing with a community whose values align with theirs. 2. Access to investment education in a safe environment. 3. Investing alongside experienced investors. 4. Investment of \$10,000. 	<ol style="list-style-type: none"> 1. Investing alongside experienced investors. 2. Professional management of the investment process. 3. Investing with a community whose values align with theirs. 4. Involvement with a group of investors who research and make decisions together. 5. Access to investment education in a safe environment. 6. Allocating their investments across several startups by investing as LPs. 7. Investing as LPs because it is less time intensive than investing directly in startups. 8. Investment of \$25,000 or less.
Regulation Crowdfunding (Reg CF)	<ul style="list-style-type: none"> ● A significant minority have invested in Reg CF. ● Of those who have invested in Reg CF, a significant minority have done a follow-on investment. 	<ul style="list-style-type: none"> ● A significant minority have invested in Reg CF. ● They are less likely than Equality-Focused and Self-Reliant investors to have made a follow-on investment Reg CF funded company. 	<ul style="list-style-type: none"> ● A significant minority have invested in Reg CF. ● The least likely persona to have done a follow-on investment. 	<ul style="list-style-type: none"> ● A significant minority have invested in Reg CF. ● Of those who have invested in Reg CF, a significant minority have made a follow-on investment.
Self-Directed IRA (SDIRA)	<ul style="list-style-type: none"> ● A significant minority invest via SDIRAs. 	<ul style="list-style-type: none"> ● A small percentage of Collaborative investors invest through a SDIRA. 	<ul style="list-style-type: none"> ● The least likely person to invest through a SDIRA. 	<ul style="list-style-type: none"> ● A significant minority invests via SDIRAs.

How Women (and Men) Invest in Startups

Marketing to Attract Wealthy Women Investors

Values Matter to Women Investors

In general, affluent women are more likely than their male counterparts to invest based on their values. They favor investments that not only deliver a return on investment (ROI) but make a positive impact on the communities they care about. Women want to make a social or environmental impact and they especially want to make society fairer and more equitable. The younger the investor, the more likely she is to consider social justice. Marketing to women investors will require new products and services that reflect these values.

Investing in startups is a way to align women's portfolios with their values.

While men focus on picking individual stocks, women, in general, prefer investing in funds.

No single startup investment is a guaranteed winner. One of the keys to success is investing in at least 10 to 20 companies over the course of five years.

Investing in a venture capital fund enables investors to achieve a diversified startup portfolio quickly.

Most VC funds want their limited partners to invest hundreds of thousands of dollars, if not much more. While women may want to invest in startups, they want to write smaller checks.

Investing in small, emerging, and diverse manager venture funds of less than \$10 million sometimes allows investors to invest as little as \$10,000 or \$25,000. The low entry point makes investment possible for first-time venture investors in particular, who may want to dip their toe in the water before diving in.

Diverse emerging manager funds can make it easier for first-time investors to say "yes" by allowing a certain number of commitments as small as \$10,000 or \$25,000.

Women are risk-astute investors⁴² and, as a result, are more deliberative in their decision-making process than men, especially in the face of uncertain economic times.

However, once women have the data needed to make an informed decision, their investment profile is similar to that of men. At times, this need for information may appear as a lower risk tolerance; however, reluctance to invest is often due to a gap in information. In focusing on personal goals, women want to be armed with the right data — an articulation of the trade-offs and how an opportunity relates to them, not to the market itself. Women have high confidence in their ability to reach their goals.

Provide women the information they need to make decisions about investing in startups directly or as a limited partner.

Women like to ask questions to better understand their investments and are more likely to base their decision to invest on facts, not their gut. Don't confuse this with indecision or risk aversion. Women are risk aware, especially the younger they are. Once they have the data needed to make an informed decision, they do.

Investment groups that align with a woman's values offer a safe environment to ask questions.

⁴² Stewart, Barbara, Duncan Stewart. 2020. "Women and Finance: The 2019 Rich Thinking Quantitative Survey Findings," CFA Institute, January 6, 2020. <https://blogs.cfainstitute.org/investor/2020/01/06/women-and-finance-the-2019-rich-thinking-quantitative-survey-findings/>

How Women (and Men) Invest in Startups

In general, women feel underserved by their financial advisors.⁴³ While Baby Boomers will stay put, younger generations will move their accounts or add another financial advisor. As more and younger women earn more wealth, they are asserting themselves as investment decision makers. They are less likely to use financial advisors⁴⁴ and more likely to switch advisors if not happy. Women focus on product and service offerings more than the reputation of the advisors' firms.

Of course, those investment opportunities have to reflect both the values of women investors and their interest in making smaller initial investments. Organizations and firms that pay attention to women's specific needs and preferences, and tailor their services accordingly, can capture a large share of this important and growing market.

Wealth management firms need to offer products and services affluent women want. Offering investment opportunities in startups is a way for firms to differentiate themselves and attract women as clients.

Women Investors Are Not All the Same

Too often, firms treat women as a homogeneous group, ignoring the vastly different needs and preferences of their female clients. The four personas, while not all-inclusive, illustrate how financial services firms can meet the needs of specific types of women investors.

Self-Reliant	Collaborative	Mission-Driven	Equality Focused
<ul style="list-style-type: none"> • Small, emerging, and diverse manager venture funds should promote their affordable investment requirement. • To close the information gap for small, emerging, and diverse manager venture funds, self-reliant women could share their insight by creating scorecards or sharing their investment criteria. <p>These investors could also create syndicates</p>	<ul style="list-style-type: none"> • Because these investors are less likely to invest as LPs, they are an opportunity for small, emerging, and diverse manager funds which don't require writing a check of more than \$25,000. • But even these savvy investors need information from credible and trustworthy sources about their likelihood to succeed. This is an opportunity for wealth management 	<ul style="list-style-type: none"> • To attract less-involved, mature investors, the minimum check size may need to be as low as \$10,000. • These investors are less concerned about ROI and are likely to treat the investment like a donation. • Financial advisors are in the position to help mission-driven investors identify startup investment opportunities that are aligned with the 	<ul style="list-style-type: none"> • This persona is inspired by making the world fairer and more equitable for women.⁴⁵ • Small, emerging, and diverse manager venture funds can win over this persona by emphasizing how they close gender gaps and require a \$25,000 or less. • This persona is the most time starved. <p>They would welcome being involved in investment groups</p>

⁴³ Zakrzewski, Anna, Kedra Newsom Reeves, Michael Kahlich, Maximilian Klein, Andrea Real Mattar, and Stephan Knobel. 2020. "Managing the Next Decade of Women's Wealth," BCG, April 9, 2020. <https://www.bcg.com/en-ca/publications/2020/managing-next-decade-women-wealth>.

⁴⁴ Yang, Jocelyn. "Female Millionaires Are Getting Younger, Demanding More from FAs," Financial Advisor IQ, July 20, 2021. https://www.financialadvisoriq.com/c/3245354/410744/female_millionaires_getting_younger_demanding_more_from.

⁴⁵ Gender equality includes having more products and services that improve the lives of women and girls, increasing capital to WOC founders, investment as a way to support companies that positively impact the women they employ, increase capital to female founders, close the wealth gap, get more women into the C-suite, increase capital to immigrant founders, and way to support companies that improve women's lives in their supply chain.

How Women (and Men) Invest in Startups

Self-Reliant	Collaborative	Mission-Driven	Equality Focused
<p>or investment groups that allow others to invest alongside them.</p> <ul style="list-style-type: none"> ● Crowdfunding platforms should emphasize how HNWI can source deals on their platforms and target these investors as scouts. ● SDIRA firms need to better connect how these accounts can be used to invest in startups that align with women’s desire to make an impact and close the gender gap. 	<p>firms, online platforms and investment influencers who could provide scorecards or share their due diligence or investment criteria.</p> <ul style="list-style-type: none"> ● Highlight both the potential for ROI and their impact. ● They are an opportunity for crowdfunding platforms and SDIRA companies. 	<p>HNWI’s philanthropic investments.</p> <ul style="list-style-type: none"> ● This persona is most concerned about their investments being locked up for a long period of time. While secondary marketplaces that enable people to sell investments in private companies exist, they have to become much more user friendly before this demographic would use them. 	<p>and as LPs in funds as a way of building confidence in investing in startups.</p> <p>They want to invest alongside and make decisions with experienced investors and appreciate having a professional management process.</p> <ul style="list-style-type: none"> ● Crowdfunding platforms should emphasize how HNWI can source deals.

How Women (and Men) Invest in Startups

Demographics: Another Way to Understand Women Investors

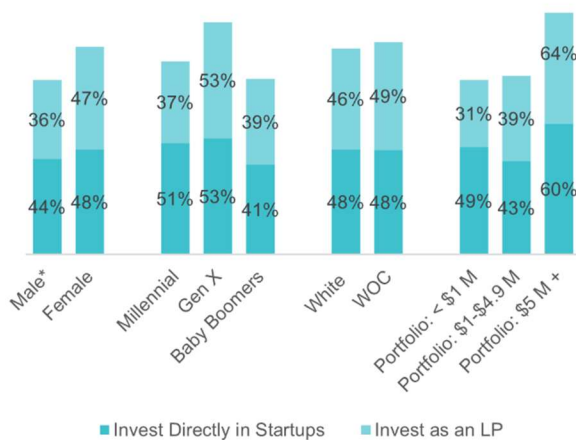
While personas help direct the emotional appeal of the message, demographics help size market.

Profile

Investing in Startups

- Millennials (51%) and Gen X (53%) are more likely to invest in startups directly than Baby Boomers (41%). Gen X (53%) are much more likely to invest as LPs than Millennials (37%) and Baby Boomers (39%).
- Women with \$5 million plus portfolios are much more likely to invest directly (60%) and invest as LPs (64%) compared to women with portfolios of less than \$1 million (49% and 31%, respectively) and between \$1 million and \$4.9 million (43% and 39%, respectively).

TYPES OF STARTUPS INVESTMENTS



Notes: *The percentages for men who invest in startup may be an anomaly meaning they do not conform to the normal, expected behavior. The expected behavior is that men more than women would invest directly in startups. Unless specified as men, demographics are for women. Due to multiple responses, numbers may add to more than 100%.

Portfolio Value⁴⁶

- Male accredited investors have larger overall investment portfolios than their female counterparts: 67% of men have portfolios over \$2.5 million compared to 48% of women.
- More mature women are more likely to have portfolios over \$2.5 million: 65% Baby Boomers, 46% Gen X, and 28% Millennials.
- White women (52%) are more likely to have \$2.5 million-plus portfolios than WOC (36%).

PORTFOLIO VALUE



Notes: Unless specified as men, demographics are for women. Due to nonresponse, numbers do not add to 100%.

⁴⁶ Investors qualify as accredited based on having a portfolio of \$1 million +, earning \$200,000+ and having a household income of \$300,000. Often, they meet criteria in multiple categories.

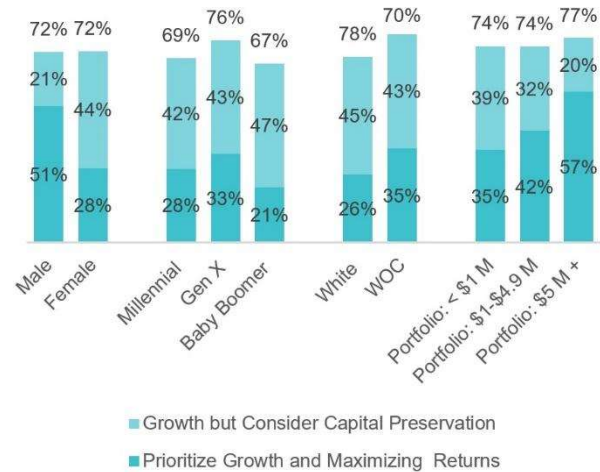
How Women (and Men) Invest in Startups

Investment Style

Investment Objective

- Men and women are equally growth oriented when investing (72%) but men are much more likely to maximize growth (51%) compared to women (28%). Women are more likely to consider capital preservation while growing their portfolios (44%) compared men (21%).
- As women approach retirement, they become more conservative in their approach to investing. Baby Boomers are less likely to want to maximize growth (21%) compared to Gen X (33%) and Millennials (28%).
- WOC (35%) are more likely than white women (26%) to focus on maximizing growth.
- The larger their portfolio, the more women want to maximize capital growth: \$5 million (57%) \$1-4.9 million (42%), and less than \$1 million (35%).

INVESTMENT OBJECTIVE: GROWTH ORIENTED

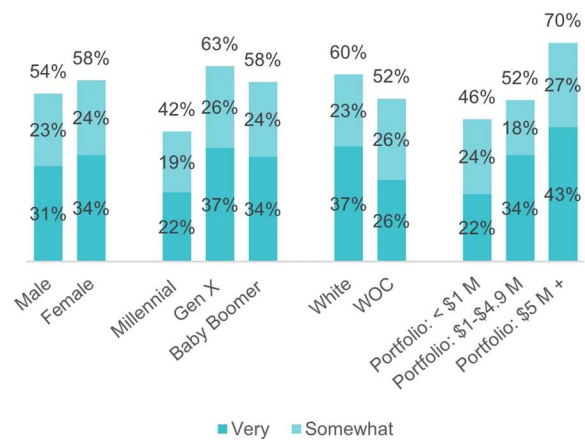


Notes: Unless specified as men, demographics are for women.

Confidence

- Male (54%) and female (58%) accredited investors do not differ in their confidence levels about investing in stocks.
- Millennials are less confident investors (42%) than Gen X (63%) and Baby Boomers (58%).
- White women are more likely to be confident investors (60%) than WOC (52%).
- The higher women's net worth, the more confident they are about investing: under \$1 million (46%), \$1 million - \$2.49 million (52%), and \$5 million + (70%).

CONFIDENCE INVESTING IN THE STOCK MARKET



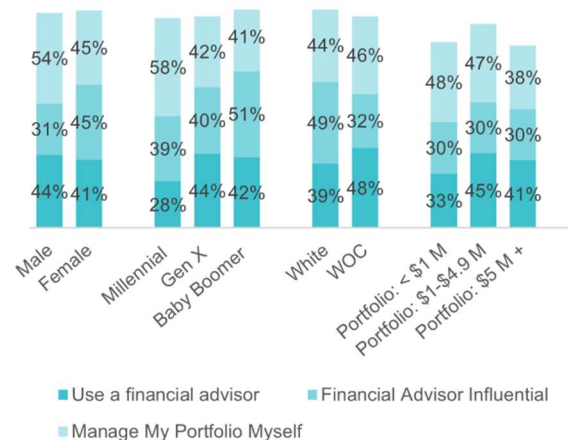
Notes: Unless specified as men, demographics are for women.

How Women (and Men) Invest in Startups

Investment Professionals

- Financial advisors are more likely to cater to their high-net-worth male clients than their female counterparts.⁴⁷ Yet, men (44%) and women (41%) are nearly equally as likely to use financial advisors. And women are more likely to rely on their financial advisors' input (45%) than men (31%). Men are more likely to manage their portfolios themselves (54%) compared to women (45%).
- In general, the younger they are, the less likely women are to use financial advisors and rely on their advice, and the more likely they are to manage their own portfolios. Millennials (28%) are much less likely to use financial advisors compared to Gen Xers (44%) and Baby Boomers (42%). Millennials (39%) and Gen Xers (40%) are less likely to rely on the advice of financial advisors than Baby Boomers (51%). Millennials (58%) are more likely to manage their portfolios than Gen Xers (42%) and Baby Boomers (41%).
- Compared to white women (39%), WOC are more likely to use financial advisors (48%). However, WOC are less likely to rely on their advice (32%) than white women (49%). White women (44%) and WOC (46%) are nearly equally likely to manage their own portfolios.

IMPORTANCE OF FINANCIAL ADVISORS



Notes: Unless specified as men, demographics are for women. Due to multiple responses, numbers may add to more than 100%.

- Women with portfolios less than \$1 million are less likely to use financial advisors (33%) than high-net-worth women (45%) and very-high-net-worth women (41%). All three groups are equally likely to rely on their advisors (30%). Very high-net-worth women are less likely to manage their portfolios (38%) compared with women with portfolios that are less than \$1 million (48%) or between \$1 million and \$2.49 million (47%).

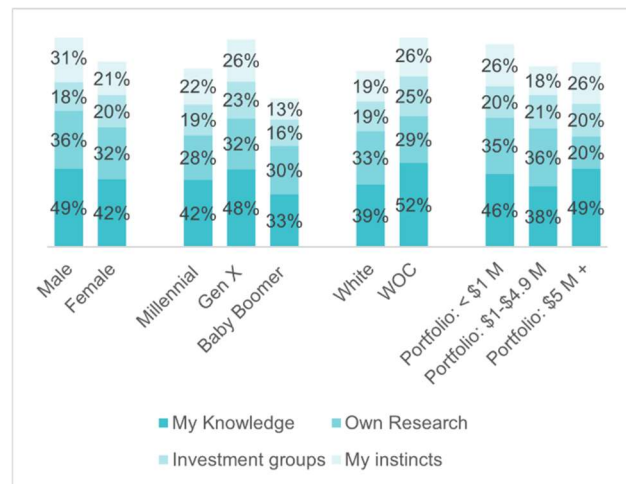
⁴⁷ Baghai, Pooneh, Olivia Howard, Lakshmi Prakash, and Jill Zucker. 2020. "Women as the next wave of growth in US wealth management," McKinsey & Company, July 29, 2020. <https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>.

How Women (and Men) Invest in Startups

Top Influences

- Men (31%) are more likely than women (21%) to rely on their instincts when investing in the stock market.
- Gen X (48%) are the most likely to rely on their knowledge followed by Millennials (42%) then Baby Boomers (33%).
- WOC (52%) are more likely than white women (39%) to rely on their knowledge (39%).
- Women with portfolios less than \$1 million (46%) and \$5 million + (49%) are more than those with between \$1 million and \$4.9 million (38%) to rely on their knowledge.
- Women with portfolios less than \$1 million (35%) and between \$1 million and \$4.9 million (36%) are more than those with \$5 million + portfolios (20%) to rely on their own research.

TOP INFLUENCES OTHER THAN FINANCIAL ADVISORS



Notes: Unless specified as men, demographics are for women. Due to multiple responses, numbers may add to more than 100%.

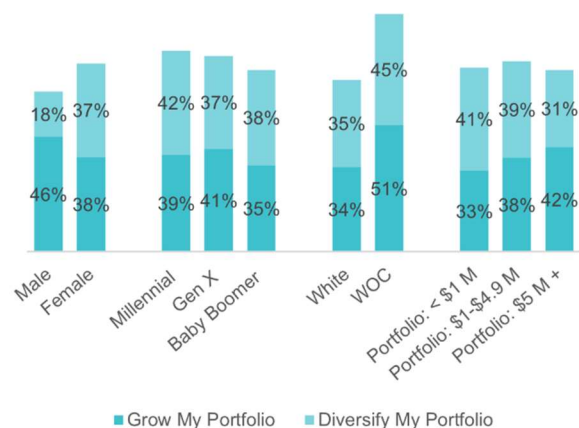
Motivations

Whether it is to diversify and grow their portfolios, invest in sustainability or gender equity, or meet new and interesting people, investing in startups fulfills an array of women’s motivations.

Financial Performance Reasons

- Women (37%) are much more likely than men (18%) to mitigate investment risk by investing in startups to diversify their portfolios. WOC (45%) are more likely than white women (35%) to mitigate investment risk by investing in startups to diversify their portfolios. Women with portfolios under \$1 million are more likely than those with higher net worth to value diversification of their portfolios.
- Men (46%) are much more likely than women (38%) to invest in startups to grow their portfolios. WOC are more likely to grow their portfolios (51%) than their white counterparts (34%).

FINANCIAL REASONS FOR INVESTING IN STARTUPS



Notes: Unless specified as men, demographics are for women. Due to multiple responses, numbers may add to more than 100%.

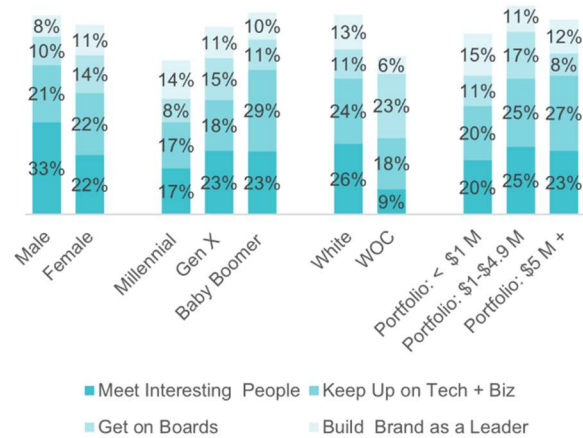
How Women (and Men) Invest in Startups

Professional Reasons

- Women are less motivated by professional reasons for investing in startups than financial and impact reasons.
- Men (33%) are more motivated to invest in startups than women (22%) to meet interesting people.
- Baby Boomers (29%) compared to Millennials (17%) and Gen Xers (18%) are more motivated to invest in startups to keep up on technology and businesses.

NON-FINANCIAL PERFORMANCE REASONS FOR INVESTING IN STARTUPS

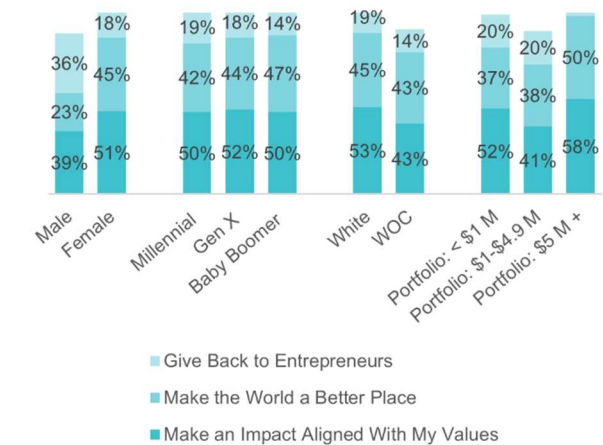
Notes: Unless specified as men, demographics are for women. Due to multiple responses, numbers may add to more than 100%.



Impact Reasons

- Women are more likely than men (51% vs 39%) to invest in startups as a way to make an impact aligned with their values and to make the world a better place (45% vs 23%). Men are more likely than women to want to give back to entrepreneurs (36% vs 18%). However, when a gender-equity lens is added, women's interest soars. See page 27.
- There is no statistical difference among the generations in being mission-driven.
- White women (53%) are more likely than women of color (43%) to want to make an impact aligned with their values.
- Very-high-net-worth women (portfolios \$5+ million) are more likely than women with smaller portfolios to focus on social responsibility.

IMPACT REASONS FOR INVESTING IN STARTUPS



Notes: Unless specified as men, demographics are for women. Due to multiple responses, numbers may add to more than 100%.

How Women (and Men) Invest in Startups

Gender Equality

- No surprise, women are dramatically more passionate about gender equality than men. The one exception: men and women are nearly equally likely to want products and services to improve the lives of women.
- The top priorities for all female demographics are getting female founders funded, getting WOC founders funded, and closing the wealth gap.
- Also, of high importance across female demographics are getting more women in the C-Suite and corporate boards and getting more products and services to improve women's lives.

PRIMARY GENDER EQUALITY REASONS VERY LIKELY TO MOTIVATE INVESTORS TO INVEST IN STARTUPS

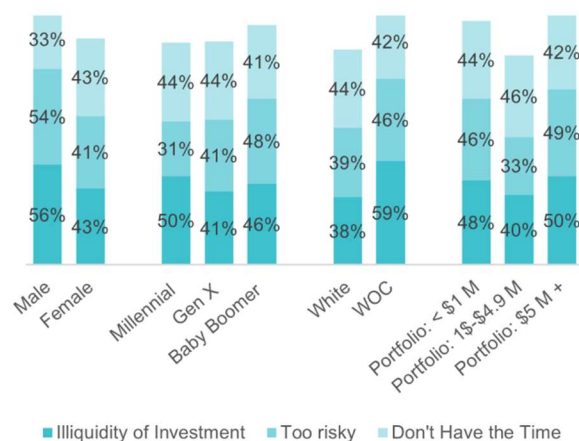
	Male	Female	Millennial	Gen X	Baby Boomer	White	WOC	Portfolio: < \$1 M	Portfolio: \$1-\$4.9 M	Portfolio: \$5 M +
Get More Dollars to Female Founders	44%	65%	64%	64%	66%	65%	65%	59%	59%	68%
Get More Dollars to WOC Founders	44%	62%	61%	64%	60%	60%	69%	63%	60%	60%
Close Gender Wealth Gap	36%	58%	58%	60%	53%	56%	65%	63%	55%	53%
Get More Women Into C-Suite	33%	56%	56%	59%	52%	57%	54%	57%	56%	55%
Get More Women on Corp Boards	36%	52%	50%	56%	48%	52%	54%	52%	55%	47%
More Prod/Srvs to Improve Women's Lives	56%	52%	47%	59%	47%	52%	51%	50%	50%	53%
Positively Impact Women Employees	33%	46%	50%	49%	44%	46%	48%	46%	41%	47%

Notes: Unless specified as men, demographics are for women. Due to multiple responses, numbers may add to more than 100%.

Hesitations

- Men (56%) are more concerned than women (43%) about the illiquidity and risk of startup investment. Women (43%) are more concerned than men (33%) that they don't have the time to conduct research and monitor startups.
- Millennials are more concerned about illiquidity than older generations. They are less likely to have a million dollar plus portfolio and are more likely to want to withdraw money in the next 10 years to buy a home, pay for childcare, and capitalize a new venture. They are less concerned than older generations about the risk.
- WOC (59%) are more concerned than white women (38%) about the illiquidity and risk of startup investments.

PRIMARY HESITATIONS TO INVESTING IN STARTUPS



Notes: Unless specified as men, demographics are for women. Due to multiple responses, numbers may add to more than 100%.

How Women (and Men) Invest in Startups

Overcoming Resistance

Mitigating Factors

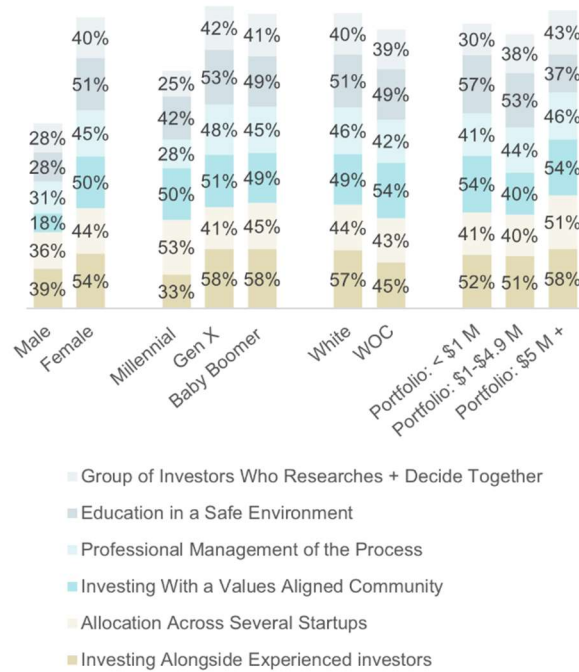
Three keys to motivating investment in startups:

- Investing alongside experienced investors.
- Investing with a like-minded community.
- Education, even for women who already invest in startups.

Also important:

- Professional management.
- Allocation across startups, that is, diversification, is very important to a majority of women who invest in startups.

PRIMARY FACTORS VERY LIKELY TO OVERCOME RESISTANCE

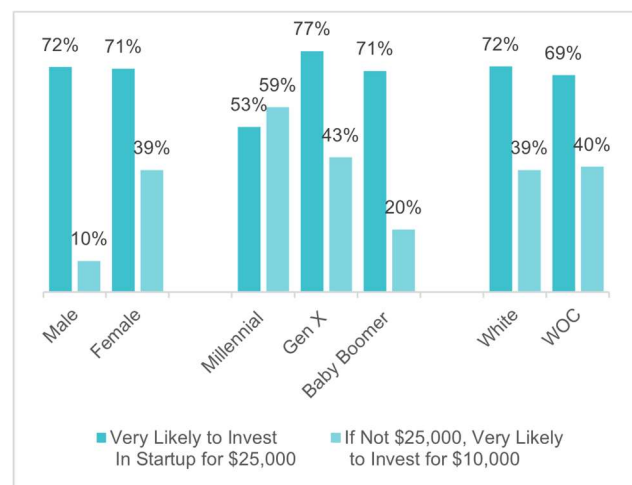


Notes: Unless specified as men, demographics are for women. Due to multiple responses, numbers may add to more than 100%.

Check Size Matters

- Nearly three quarters of men and women would invest in startups for \$25,000. For those who would not invest, women (39%) are more likely than men (10%) for \$10,000.
- Gen X (77%) and Baby Boomers (71%) are more likely than millennials (53%) to invest in startups for \$25,000. However, among those who wouldn't invest for \$25,000, Millennials are the most likely generation to invest for \$10,000.

INVEST IN STARTUPS IF CHECK SIZE IS \$25,000 OR \$10,000



Notes: Unless specified as men, demographics are for women.

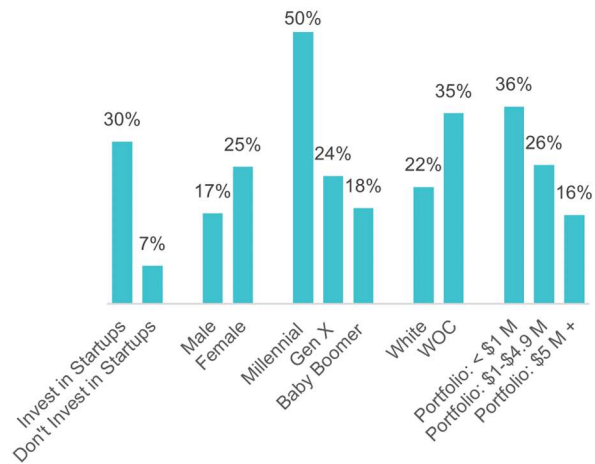
How Women (and Men) Invest in Startups

Regulation Crowdfunding

Regulation Crowdfunding (Reg CF) enables the average Jane to invest in private companies via crowdfunding platforms. Nonaccredited investors have limits on how much they can invest while accredited investors do not.

- Accredited investors who invest in startups (30%) are much more likely to invest in private companies via Reg CF than those who do not (7%).
- Millennials (50%) are more likely than Gen X (24%) or Baby Boomers (18%) to invest via Reg CF.
- WOC (35%) are more likely than white women (22%) to invest via Reg CF.
- Women with portfolios of less than \$1 million (36%) are more likely to invest via Reg CF than those with portfolios between \$1 million and \$4.9 million (26%) and \$5 million (16%).

INVEST IN REGULATION CROWDFUNDING (REG CF)



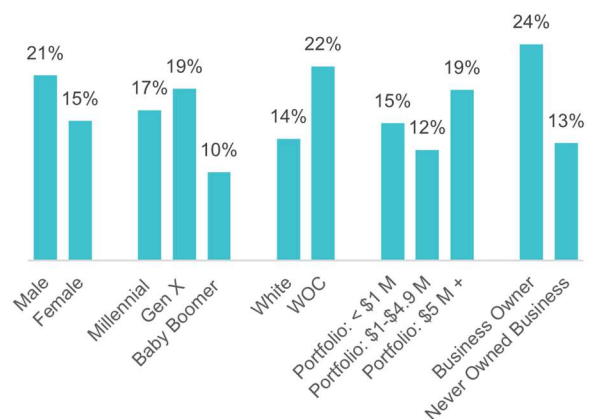
Notes: Unless specified as men, demographics are for women.

Self-Directed IRAs

A Self-Directed IRA (SDIRA) is a type of individual retirement account that allows investors to save for retirement by investing in assets that are off-limits for conventional IRAs, including startups.

- Of all the women's demographics analyzed, business owners (24%), WOC (22%), and men (21%) are the most likely to save for their retirement using SDIRAs.

INVEST THROUGH A SDIRA



Notes: Unless specified as men, demographics are for women.

How Women (and Men) Invest in Startups

Conclusion and Recommendations

Women's investment style of thinking long-term, spreading risk by buying diversified funds, and trading less frequently than men can lead to good returns. Depending on their risk tolerance, investment objectives, and passion, allocating a small portion of women's portfolios to investing in startups can be attractive. That's good news for small, diverse, and emerging managers. Accredited investors represent an untapped source of capital for diverse emerging managers who are raising micro funds of \$50 million or less. But for this capital source to fulfill its potential, investing in startups needs to become more accessible to accredited investors.

When dipping their toes in a new asset class, women want to write small checks of \$25,000 or smaller. They want the diversification of that investment across startups that is provided by being a limited partner in a venture fund. Only ultra-high-net-worth investors can afford to write the minimum check sizes that large funds require.

Because their time is limited, women need reputable and trustworthy sources that have vetted micro funds so they don't have to do a deep dive into research.

Policy

In 2018, the 99-investor rule was expanded to enable funds up to \$10 million to have 249 investors. The rule change spurred a surge in VC funds started by women.⁴⁸

The average check size for these small funds is \$40,000. Realistically, these funds can only accept a certain number of investments below \$40,000 and still satisfy the constraints of raising enough capital to be viable. This limit on the number of investors creates a practical minimum investment that is much higher than the check most accredited women investors are willing to write.

For women writing their first checks as LPs, \$40,000 is higher than the \$10,000 to \$25,000 check they are comfortable writing.

- *To accommodate more small checks, increase the number of investors from 249 to 499.*

Diverse, emerging managers who have had success raising their first fund continue to have trouble raising second and even third funds. The difficulty is largely because not enough time has elapsed to demonstrate portfolio returns of the previous funds. These funds are likely to be larger than \$10 million but less than \$50 million.

- *Lift the cap on the fund size from \$10 million to \$50 million and apply the same 499 investor rule.*

Developing Intentional Support

Investing as an LP in a venture fund has the advantages of being a professionally managed investment and funds being distributed over several startups. However, most investors lack the time and expertise to properly conduct due diligence, especially on diverse emerging managers who have nontraditional experience. White male emerging managers have the traditional experience of having worked together at a venture firm in the sector and will be focused on that sector in their own funds.⁴⁹ While women and BIPOC fund managers are highly skilled, few have worked as investment decision-makers at venture firms. It is a catch-22.

⁴⁸ Leslie Feinzaig. 2020. "New data shows the number of women-led VC funds is exploding," Fast Company, October, 22, 2020, <https://www.fastcompany.com/90567387/women-in-vc-growth>.

⁴⁹ DePonte, Kelly. 2005. "Emerging managers: how to analyse a first time fund," Probitas Partners, http://probitaspartners.com/pdfs/emerging_manager_due_diligence_2005.pdf

How Women (and Men) Invest in Startups

- *Encourage sharing of best practices and develop criteria for evaluating diverse emerging managers.*
- *Encourage online financial advisor platforms to incorporate these developing practices when evaluating emerging managers.*
- *Encourage wealth management firms that are creating funds to include diverse-led emerging managers in their portfolios.*
- *Encourage VCs to invest in diverse-led emerging manager funds.*

While a majority of pension funds say investing in diversity can be financially rewarding, the reality is that they are skeptical.⁵⁰ Some public pension funds are proving that it is profitable. Public pension funds are subject to state and local regulation and their beneficiaries are often large populations of women and people of color. This makes them ideal to lead the charge to create diverse emerging manager programs.

- *Encourage public pension funds to commit and share due diligence practices on diverse emerging managers.*

Financial services companies and corporations are developing programs to support diverse emerging managers. For example, MassMutual Life Insurance is addressing the gap in the amount of institutional funding that goes to diverse emerging managers by developing a first-time fund focused on investing in underrepresented founders.⁵¹ It makes an initial investment in funds of \$5 million, with up to \$5 million more to match new investments from additional LPs.

- *Encourage more financial services companies and corporations to commit and share their practices and results.*
- *Encourage the creation of a database of diverse emerging managers. Incorporate emerging best practices in evaluating diverse emerging managers and enable investors to screen by criteria they develop based on emerging best practices.*

More Research Is Needed

Diverse emerging managers who are raising capital for their first through third funds don't have the connections to institutional investors or the "traditional" experience that institutional investors deem essential before they invest. As a result, diverse, emerging managers rely heavily on raising money from accredited investors. But the rules governing the number of investors in a fund make it difficult for diverse, emerging managers to raise enough money from accredited investors.

This research is a good start in understanding the potential accredited investors offer as a capital source for startups, but more is needed.

- *Conduct research on the market size. It should include profiling the demographics of accredited investors in terms of gender, race/ethnicity, geography, investments, and biases.*

⁵⁰ 2021. "Morgan Stanley Survey: Pension Funds Are Leading the Way in Diversity-Based Investments, Yet Perceived Financial Trade-Off Creates Hurdles for Many Asset Owners," Morgan Stanley, October 20, 2021. <https://www.morganstanley.com/press-releases/morgan-stanley-survey---pension-funds>.

⁵¹ Ryan, Greg. 2021. "MassMutual invests in VC fund targeting founders of color," Boston Business Journal, April 6, 2021. <https://www.bizjournals.com/boston/news/2021/04/06/reinventure.html>.

How Women (and Men) Invest in Startups

Methodology

To understand how women and men invest in startups and what motivates them to do so — or to refrain — a literature review was conducted on women’s investing habits and how their priorities differ from those of men. We also conducted a survey of accredited investors, both men and women.

The survey was developed by researchers at CoreWoman and Ventureneer based on a literature review of the drivers of investment in startups, hesitations, and the factors that overcome resistance. Between March 14, 2022, and May 31, 2022, over 66 individuals and organizations solicited both men and women who were likely to be accredited investors to complete the survey. We received 624 responses. To incentivize people to respond to the survey, a \$5 donation was made to one of four nonprofits on each respondent’s behalf. Respondents choose from AnnieCannons, Prospanica, She the People, and Techbridge Girls.

Respondents provided demographic and investment information, enabling a comparison of men and women, and different groups of women.

Self-selection bias may have occurred because individuals have selected themselves to participate in the survey. Attrition occurs when participants leave before completing the survey. It almost always happens to some extent. Systematic differences between people who leave the study and those who continue can introduce attrition bias into a study’s results. In both cases, it makes it more difficult to isolate the effects and the differences between groups since those that opted to participate are not equivalent to the group that opted out. As a result of this and the small sample size, a higher level of statistical significance was used — 10 points instead of the usual 5 points.

Using a human-centered design approach, both functional and emotional investor needs of wealthy women were considered to develop four distinct personas. This was done by sorting respondents into smaller groups who shared similar motivations and faced similar obstacles when investing. Each group was then described in terms of its demographics.

How Women (and Men) Invest in Startups

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- Gray Rhino & Company
- How Women Invest
- How Women Lead
- Invest for Better
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- Nasdaq Entrepreneurial Center
- Next Wave Impact
- nFormation
- NKH Group
- Plum Alley
- Project W, an initiative of Davis Wright Tremaine LLP
- Prospanica
- REFASHIOND Ventures
- Scale for ClimateTech
- SeaChange Fund
- Small Business & Entrepreneurship Council
- Society of Women Engineers
- SoGal Foundation
- Springdale Ventures
- Stella and Stella Impact Capital
- Supply Change Capital
- SWAAY Media
- Switch
- Sybilla Masters Fund, LP
- Talino Venture Labs
- The Capital Network
- The JumpFund
- The Trust
- The Worldwide Supply Chain Federation
- Ventureneer
- WBEC Greater DMV
- WBEC Metro NY
- WIPP Education Institute
- Wocstar Capital
- Women Impacting Public Policy
- Women Presidents Organization
- Women with Capital
- women.nyc

How Women (and Men) Invest in Startups

Individuals

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