

EPISODE 532

[INTRODUCTION]

[0:00:35.4]

FT: Welcome to So Money everyone. Thanks for tuning in. I'm your host, Farnoosh Torabi. Really happy to bring back our guest today; Sallie Krawcheck. She's talking about a new era of feminism, and that's been a big topic of conversation since the Women's March just a few weeks ago. We have to keep momentum going. Sallie Krawcheck is back and she's got a new book, it's called *Own It: The Power of Women at Work*.

It's her first book and, in it, she discusses the ways in which women can impact change especially in business. Sallie would know. She is an entrepreneur, she launched Ellevest recently, an investment platform for women. She's the former CEO of Smith Barney and Merrill Lynch Wealth management, CFO of Citigroup.

Sallie shares how women can thrive at work and also in their personal lives. Last time Sallie was on the show was episode 349. If you missed it, it was right before Ellevest was launching to the public. We're going to catch up now about how it's actually doing, what the feedback is, and the biggest financial mistake women are making, and maybe the easiest one to fix.

Here is Sallie Krawcheck.

[INTERVIEW]

[0:01:42.9]

FT: Sallie Krawcheck, welcome back to So Money. It's been about a year and so much has happened between your book and the election. My goodness! Where do we begin?

[0:01:51.9]

SK: Oh! Everything has happened. It was a dog year, I think. Right?

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FT: Yes. You have a new book, which is why we wanted to bring you back to share it with the world. It's called *Own It: The Power of Women at Work*.

[0:02:05.9]

SK: Yes.

[0:02:07.0]

FT: One of the big tenants of this book is to quit acting like a man ladies. Embrace and invest in our innate strengths as women. This is from your book. Bring them proudly and unapologetically to work.

I have to ask you, Sallie, you bring so much of your own life into this book. What were those innate — What are those innate strengths of yours? What's one story of how you managed to own your career using your femininity as an asset?

[0:02:35.8]

SK: Yeah. Let's start with one thing, which is that so much of the advice that we get, and women start to nod their head when I talk, both in advice, how-to books, as well as in the workplace, it's all about, essentially, adopting more male characteristics. The confidence, being at the table and taking on the P&L roles.

The problem with that, Farnoosh, is the power of diversity in driving great business results is diversity, not asking us to act like men; besides, which is exhausting; besides, which we bring great qualities to work that are becoming even more important as technology dramatically changes businesses.

One example of one of the qualities that we bring more than the guys do is our relationship focus. Another is we tend to look at things a little more long term. Another, we tend to be more risk-aware. Fourth, we tend to make decisions by taking in more information. There are lots of research in the book, I hope, really interestingly presented so you don't have to flag through it.

All these came together for me when I was CEO of Smith Barney. I was running the business during the financial crisis and, Farnoosh, you may recall that I was fired for returning client money. I was the only senior executive to the best of my knowledge on Wall Street who partially reimbursed clients. I've thought about it over the year, I thought, "Gosh! That was so different from everybody else," and, gosh, I was told to fall in line repeatedly by the boss.

As I started to think about it over the years, I thought, "I think some of that was because I was a woman. Why did I do that," because I was so focused on the people who we had tried to do a good job for, but didn't, because I was so focused on the long term health of the business. It wasn't like, "Guys, give up this quarter. Let's think about the business longer term," and I think was making a risk-aware decision.

A lot of those qualities I just talked about came in, and so it was only years later, Farnoosh, that I said, "You know what? I was not exactly, but kinda sort of fired because I was a woman." I may have been wrong, but don't we all wish there have been more of those debates on Wall Street? Can't we see how Wall Street would have been a better place with more diversity and more of those debates?

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FT: But in the history books, it went down as you being the last honest analyst.

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SK: Yeah, that was cool. That was a picture that was actually, I think, bigger than life-sized, Farnoosh, on a Fortune Magazine. Look, the downside was I lost my job. The upside was I really felt like I did the right thing for the business and for my own ethics and conscience. Of course, have gone on to do other things that I'm loving doing. These things work out.

Wall Street — Eh! Went into the downturn, as I say white male and middle aged, and came out whiter maler and middle [agedre]. Hopefully, they'll read the book *Own It* and recognize that there are real upside for them by including some gender diversity, more gender diversity.

[0:05:51.4]

FT: You wrote *Own It* when it appeared that we were on the brink of having our first female president. Of course, that didn't happen. Now we're left with this immeasurable amount of, really, uncertainty, about the fate and future of gender equality. What now, Sallie?

[0:06:07.3]

SK: It's interesting, Farnoosh, because, yeah, there were some words that we changed at the beginning of the book a few days after the election, which is, "Oh my gosh! Guys, wait a minute." I think the publisher actually literally screamed stop the press. That being said, you'd be surprised by how little of it changed or had to change, because part of this where the book starts is the diversity, gender diversity in business has stalled.

Farnoosh, we are depending on the study a hundred years, 150 years, 180 years away from gender pay parity in this country, more if you're a woman of color or with disabilities. The book starts from a place of, "Wait a minute a guys. We've stalled. We have not made the progress that all debate and discussion would have had us think we would make in business, despite the fact it's great for business. What do we do now?"

The book then goes on to say, "You know what? Things are changing and fast, because technology is changing everything about business, so the puck is coming to us. It's also changing the way we as women can manage our careers." We control \$5 trillion of investable assets. We direct 80% of consumer spending. We're more than half the workforce. Yet, somehow, we've accepted we have to act like men. We have to play their game.

You know what? Technology is now enabling us to play our own game. One way — There are plenty of ways, but one way is we're much more able as professional women to start our own businesses that we ever were before. You're an example, and I'm an example.

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FT: Speaking of taking an active stance, one of the things you think we should get rid of is the concept of empowerment as a defining word of feminism, which is kind of controversial because it is widely accepted, we use it all the time.

[0:07:55.9]

SK: You know, it's funny, but I didn't like the word for years, and I sort of thought it was one of those words like authentic that got overused and I thought, "I'm just not going to use it. Everybody else is using, and I'm not going to use it." Then, one day, we were having a conversation at Ellevest. We were batting some ideas around we begin to talk about what it meant.

I looked it up in the dictionary. It means to be given power, to be given power. "Wait a minute," I thought, "we've already got all of these power. We don't need to be given any more power. We can use the power that we have."

By the way, the very concept of being given power — The great Gloria Steinem, I remember spending time with her. She said, "Who says the guys are going to give it up." They'll give one seat at the table. They may give two seats at the table, but in terms of that equal sharing, this is something that we're going to have to really address ourselves.

One example, when is the last time, Farnoosh — I don't know how many guys you interrupted talking about all kinds of stuff at work? I've interrupted a ton and I've never walked into a group of guys and said, "Hey guys, what are you all talking about," and they said, "You know, Sallie, we're really talking about the power of gender diversity and driving business. Come join us."

This is something where, if we have that sense of other folks who are going to give this to us or do it, we've already seen we stall out. We need to take action, and that's what I think is different post the election. More and more and women are saying, "You know what? We need to take action."

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FT: Speaking of power, you've mentioned how we need to recognize that money means power, which sort of also feels masculine in my definition. Seeing money as this powerful thing to take over, to dominate. What do you mean, Sallie, by power in that context?

[0:09:42.2]

SK: First of all, we're in a capitalist society. You can start with the — It's the way of score. To back up, I mentioned earlier, there seems like there this paradox. There is not. I mentioned earlier, we women have so much in a way of financial resources that we can use and [inaudible] and reward companies that are acting the right way and punish companies that are not.

However, on an individual basis, we women don't have as much money as men do, and there are all kinds of studies on this. One example which you all know, of course, very well is women retire with two-thirds the money of men in general, despite the fact that we live longer.

I call closing the gender money gaps and, of course, as you know, I'm particularly interested in the gender investing gap, the best career advice women aren't getting. Why? Because do you feel better going into your boss' office to ask for the new assignment, if you have more money in the bank or less. To ask for the overseas assignment, to ask for the new hotshot, to leave the company because the boss is a jerk and start your own business, to leave the relationship with the boyfriend or girlfriend who was so nice five years ago and now is acting like a jerk themselves.

Money gives us, and I don't have to convince you, degrees of freedom. Money gives us power. While that may be a masculine word, the concept of that freedom and the ability to live the lives we want to instead of being hemmed in, "I can't live this marriage, because if do my standard of

living will go down a double digit percent and his will go up a double digit percent. Those are traps. Those are traps.

[0:11:23.1]

FT: I firmly believe that more women need to make more, because if money means power, then it can mean that, as women, because that's just our nature, we will use that power to help people, to help our loved ones, not to take over necessarily, but to provide, to serve...

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SK: Farnoosh — Women having more money, whether they're closing their gender pay gap — Another thing the book points out is when I used to go ask for a raise, I just sort of say, "Hey, can I have a raise?" Now, there's so many resources out there for knowing how much I should be getting paid. Whether it's pay scale, or get raised, or any of these things. Closing our gender investing gaps — Closing these gaps is absolutely good for women, we know that.

It's good for our daughters. There's research that indicates that if we are out there and working, our daughters make more money over the course of their lives. It's good for our families. It's good for the economy.

Sometimes, guys — I was just doing an interview on a number of guys — Were angry about this. There is no gender pay gap. How dare you, woman. You're like, "Dude! Dude! Do you have any women customers —"

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FT: Women think that too.

[0:12:39.8]

SK: I know they do. Mind boggling, but like, "Okay. Fine." Putting more money into women's pockets, "Dude! Do you have any women customers? Because if they have more money, they spend more money," right? It's good for the economy, for society, and to your point Farnoosh,

it's good for nonprofits, because women are more generous in giving to nonprofits than gentlemen are.

It's a win, win, win, win, win, but something in our psychology that if somebody else makes more money, somehow it diminishes me, because I think of myself on a relative basis. There's a kink in our brains, it has us think that. When, in fact, this is just so great for everybody.

[0:13:22.9]

FT: The last time you're on the show, we talked about how you, over the course of your career, have become very risk-aware for obvious reasons. At the same time, you also believe that a person's biggest asset is not their investment portfolio, it's themselves. Marrying those two thoughts, Sallie, how should we go about assessing personal risk when we want to climb in our career, our financial life, start a business, ultimately own it. Then, there's this whole other life we're leading as well; we have kids, partnerships. We have to constantly be reconciling risk in our personal lives. Any advice around that?

[0:14:00.2]

SK: Yeah. Here's what I would say, that we need to have our eyes open around this, that if we think about the ways business is changing. I talked about it. Technology is changing business. One example, Farnoosh, just a handful of years ago, when I ran Merrill Lynch, I had all the information. Dealing client surveys was so expensive that even the number two company in the industry could not afford it. I had the data and no one else did.

Today, information is so cheap, everybody's got it, right? Whether it's much less expensive surveys or even asking a question on Twitter. All of a sudden, we've all got the information. That's a dramatic change, a dramatic change.

I can talk about another change. Think about the changes that are going in marketing. Just a handful of years ago marketing was all about brand building and creativity. Today, it's about that, plus multi-touch attribution analysis, deep data analytics. This change is happening so quickly.

I think for some of us, we think, “What?” That idea of, “I am going to take career risk.” “I don’t know. I don’t know that I want to do that. That’s uncomfortable. I’m not going to do it.” You know what guys? Not taking career risk is taking career risk now, because things are changing.

We need to really be in the flow of what is changing. Continue to stretch ourselves professionally. Continue to push ourselves professionally and recognize the part of this new world means that we are more likely to get fired than we were historically. That the idea — I mean, think about it. Today, can you imagine anybody starting at a job at the age of 23 and retiring of 65 with a gold watch? It’s just not going to happen any longer.

We, as women, take failure more personally. Part of, Farnoosh, why I wrote about my own personal failures in the book was to try to normalize it, “Look, I got fired in the front page of the Wall Street Journal, by the way, twice. Here’s how I got through it. Here’s how I got up the next morning. Here’s what I did,” because failure is going to happen more often, and so I think we have to accept it.

It gets back to what you and I talked about, which is being financially fit; having an emergency fund, having the savings, having investments so that if and more likely when that happens you’re in financial shape to manage through them.

[0:16:28.5]

FT: You talk about confidence a lot in your book, Sallie. There was another book a couple of years ago called The Confidence Code. It really resonated with females, especially in corporate America, because many of us identify with this lack of confidence. It proved time and time again, women have less confidence than men in the work place. What do you think? Is that just malarkey?

[0:16:49.1]

SK: You now, here’s what I would say. What we all love and I love is tell me the secret. Please tell me what to do, and then I will do it. If I do this, and I do this, and I ask for the raise this way, and I manage this way, I will be successful. That has worked historically for some number of

people. I would point out though that by some of these advice is really telling us to act in a more traditionally masculine way, to act in a way that we may not be innately comfortably with.

The reason we do that — I've managed a lot of people over a lot of years. One of the reasons we do that is because, for us as managers, it's just so much more comfortable to tell everybody to act the same. Everybody is a row, and then I can manage in one way. The issue with this is the power of diversity is diversity. As a manager, managing diversity is much harder than managing everybody the same way, because — You think about just the base case of an extrovert and an introvert. An extrovert, you don't have to pull anything out of. That's easy. The introvert, you have to pull, and ask, and probe, and question. It's just a lot easier to say to the introvert, "Just, would you act extroverted please," and then I can just manage in one way.

Smart companies, smart managers manage everybody from where they are, where those people are. We're able to guide, and coach, and pull the best from them as supposed to act like this. The issue with so much of the advice telling us to act like men besides the fact it negates the power of diversity is, Farnoosh, it's exhausting. It's exhausting to be a certain way.

Finally — And the really depressing part is it can cause a backlash, that we women get criticized for being too feminine, but we've also been criticized for being too masculine. It drives women out of the workforce.

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FT: It also causes hair loss.

[0:18:56.1]

SK: Oh my gosh! No doubt about it, and it causes me to drink too much wine at night. Farnoosh, what's — "Okay, Sallie, that sounds good, but what's the answer?" The answer in the first instance is having these conversations at work. The amazing Ellyn Shook at Accenture asked a question — I was with her one night and she said, "What courageous conversation are you willing to have to say, "This is who I am," or, "Gee, boss. Why are you making all of us act the same way, or why you're assessing us that way?"

The next step is for us to use our resources to buy from, invest in, work for companies who treat us well. The biggie is, again, if companies aren't going to treat us well, I think where they're going to start to get hallowed out. We do have these options as professional women of starting our own thing or building nontraditional career paths, because you're finding all these — So many of the women who leave the workforce say, "I left , because it was exhausting to me. I would love to step back in a way that makes me feel like," and I'm going to use the word I just said I hate, "authentic."

The analogy I think of is back when we really started entering the workforce in force, we dressed like men. In fact, you're not going to believe this. I moved a few weeks ago. I found my old briefcase, my briefcase.

[0:20:17.2]

FT: Your attaché.

[0:20:18.5]

SK: Right, an attaché case. We used to wear the floppy bows, and the big shoulder pads, and we got rid of that. Again, when you really go back — And there's research on this about this idea of cascading bias at work that because the leaders are strong, and confident, and masculine, that then we put that in the performance reviews and try to get everybody to act that way. Not every business, not every company. When I bring this up, I get a lot of nodding heads from a lot of women.

[0:20:49.9]

FT: A lot of my listeners are in their 20s, their 30s. Looking back on your life, Sallie, what would be the best advice you would give your 25-year old self with regards to money, personal finances?

[0:21:01.5]

SK: Yeah. I scared the living bejesus out of myself coming out of college by running up credit card debt. I had that moment that I'm sure so many of your listeners have, which is, "Oh my gosh! I'm paying the minimum because it's all I can afford, and the amount that I owe is going up every month." It scared the living bejesus out of me, and I got that thing paid off as quickly as I was able to and had never — You tell everybody, if you can't afford something without putting on the credit card, you could not afford it. Living below and within your means is just so important.

Then, the smart thing I did was I began investing in my 20s. I may have shared this story with you before. I'll never forget my X-husband telling my brother not to bother to invest in his 20s because he, my brother, would make so much money later, he can make up for it. No. No. No. The power of compounding, as you know, is something we don't intuitively understand, but is so powerful.

The example I'll give and, really, the reason I founded Ellevest, which doesn't have minimum for this reason, is if you're a women, you're doing well, you're making call at 85,000 bucks a year, you're saving. You're putting aside 15, let's call it 20% of your income you are saving, but you're leaving in the bank instead of investing in a diversified low-cost ETF portfolio.

If you wait to invest for 10 years, which so many women do, the amount that cost you a day is — Dramatic pause — \$100 on average historically. \$100. These number just becomes so big because of that impact of compounding. "Oh no! What is the market goes down?" You know what? If the market goes down and you're investing steadily, you'll be buying a cheap market. Sometimes you'll buy an expensive market, sometimes you'll buy a cheap market. That habit formation, a percent of every paycheck, I did and it's the smart money move I made.

[0:23:10.9]

FT: How is Ellevest doing? Last we spoke, it was sort of in the beta launch. What's been the feedback?

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SK: Yeah! Yeah, oh my gosh! What an amazing thing. What an amazing thing. We moved out of beta in November of last year, 2016. We're still new. Of course, the day before the election. We couldn't have chosen — like, duh! That's when it was, and the feedback from women — so it started, I think you and I had this discussion at one point, the initial feedback was, "I don't need something for women, and my lady brain doesn't need some dumb down investment platform for women."

When women go and look at it and they said, "Wait a minute. Actually, this looks more sophisticated than what I've seen. Actually, this takes into account in an investing platform and a planning platform, that I live longer than men, that my salary emerges differently — Talking to me about career breaks and the cost of career breaks."

Then, they sort of circle back and those who say, "Gees —" For women, feel sexist. Women will come back and say, "Actually, what the industry has been doing by having it as an ill-fitting suit for us feel sexist. The thing that's been most amazing to me is that I reach out personally to everyone who signs on.

If you don't want to reply, that's fine, but I ask for the feedback. Even those who say, "You know what? It's not right for me for this reason," or whatever, "I live in Canada," or, "I'm in some place and I can't do this," will give us 10 paragraphs of feedback.

What I'm picking up from them is, "We're so happy, somebody is paying attention to this and to us, and we want to be part of a process of co-creating this, because we just haven't had this kind of offering, or this kind of attention before."

I was reading a note last night, Farnoosh, that actually moved me to tears. You know me, I don't move to tears easily, but it was from a woman and she was having an issue at work. She went through the conversation with her boss and said, "But I know I've got a resource that I can invest in steadily every paycheck, and that gives me a sense of confidence." It was just amazing to me.

[0:25:23.2]

FT: Sallie, thank for being so there with us, every step of the way and being so candid your life experiences. I have to ask it before I let you go, what is one thing that we don't know about you that people may be shocked to hear?

[0:25:39.2]

SK: I'm a cat person. Yeah, I'm a cat person. I think — Cat person for sure. Yes. As somebody said, "You don't really have a pet unless you have a special pet voice." Obviously, I have a special pet voice.

The other thing you might not expect of me is that while I had been very upfront about being a mediocre mother on my best day. On my best day, I'm a mediocre mother. I probably make the best pie you've ever tasted in your whole life. I make a lunch spread that would knock your socks off. I think those are a few things you might not expect.

[0:26:18.1]

FT: You're speaking to an eight-month pregnant lady, so that all sounds really good to me right now.

[0:26:22.9]

SK: Yeah! I've been there. I've been there. No pie. Definitely have the pie, because you'll be busy later not eating pie.

[0:26:31.2]

FT: I'm making up for it now.

[0:26:32.2]

SK: Yeah.

[0:26:33.0]

FT: Sallie Krawcheck, congratulations on Own It and everything — Ellevest.

[0:26:38.3]

SK: Thank you. Thank you Farnoosh, and I love being here with you, anytime.

[END]