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Money

How gender divides investment behaviour; Men more active, but women earn more in long run

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It might not be as clear cut as stereotypes of men putting all their money into General Motors stock, while women bank on cosmetics giant Revlon to build a nest egg.

But experts say that, speaking generally, there are major differences in how the two genders tend to invest and save for retirement.

Men, says Ari Pandes, an assistant professor of finance at the Haskayne School of Business, on average take more risks, while women invest more conservatively.

"There's some interesting academic literature on that, which touches on psychological literature," Pandes says of research done at the University of California, Davis.

"What some papers have found, one in particular, is that men are more overconfident than women, so what happens is because they're more overconfident, they trade more. On top of that, men also take on more risky positions.

"Women tend to be a little more conservative, (have) less volatile portfolios, they take on less risky positions and they trade less."

The 2001 paper, by Brad Barber and Terrance Odean, found that male overconfidence led to more trading.

"They hurt their performance through the trading, because they take on a lot of fees," Pandes said. "Their net returns are actually worse than female investors in that sense.

"That study suggests that generally women are better investors because they play more the buy and hold rather than trading a lot more. For the average investor it's very hard to beat the market so the key thing is to take on a diversified portfolio."

Both men and women were overconfident, Pandes said, in surveys about what they expected to earn on a portfolio, responding with higher numbers than they actually did. However men, on average, were more confident than women.

Beth Hamilton-Keen, a portfolio manager with Mawer Investment Management, said in her experience female investors tend to react more slowly to market changes and are better at sticking to plans, while men can be more reactionary.

Mawer deals with more long-term planning for clients, and Hamilton-Keen, who volunteers with the CFA Institute, said

both men and women buy into having goals. However, she's noticed men will often keep a separate account to play with.

"They may hire us to manage the conservative, pension-style part of their portfolio, but still they'll satisfy that trading, speculating requirement," Hamilton-Keen said, adding men generally seem to have more interest in managing their own finances than women.

"And they're trading what they know. You can be stereotypical again, if you think a lot of oil and gas in the city.

"A lot of people working in that field know oil and gas, they feel quite comfortable with it, and that's in their trading account they can best exercise that."

The University of Calgary's Pandes said that in studies men tended to believe they had more information.

Couples often have different advisers or separate accounts so they can follow their own paths, Hamilton-Keen added.

Both Pandes and Hamilton-Keen say at the end of the day, the important thing for investors is to have a balanced, diversified portfolio, with long-term goals.

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Herald Archive, Reuters / Men take a much more aggressive approach with their stock portfolios, say experts, while women tend to trade more conservatively and less often.;

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