How women differ from men with investing

Women exhibit less risk-taking, do more extensive research, emphasize quality stocks, and stick to their plans

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By Kim Inglis

According to Fidelity Investments, women want to get more engaged with their finances within the next year. Specifically, 92% want to learn about financial planning and 75% want to become better versed in investing. These are encouraging numbers.

Unfortunately, confidence is a leading factor holding women back from actually following through. Fidelity reports that only 47% are confident talking money and investments with a professional and 80% confess they have refrained from having financial conversations with their loved ones.

Interestingly, the women who do follow through and get more involved with their finances tend to be better investors than their male counterparts. A study done by the Financial Industry Regulatory Authority (FINRA) found a number of key differences in the way men and women invest that helps explain why.

The study found that women have less tolerance for risk. They tend to have more balanced portfolios; with a greater allocation to cash equivalents and fixed income investments. Because of the conservative weightings, their portfolios are less volatile. Women also like to purchase stocks in companies they know and understand, mostly opting for blue-chip investments.

Investment attitudes are also very different. According to the study, women are more likely than men to find investment decisions stressful and difficult, and less likely to describe themselves as knowledgeable. Therefore they are inclined to do much more research prior to investing and want to know all the details when looking at something new.

Having conducted in-depth research, women tend to be less impulsive than their male counterparts and once their plan has been set in motion they tend to stick to it. This discipline is particularly evident when women are working toward specific investment goals. They hold their investments for longer periods of time and thus benefit from lower fees because there are fewer transactions.

These characteristics suggest women inherently possess "the right stuff" for successful investing. However the FINRA study showed they are less likely to invest regularly or to start early in life. Where men become involved with investing gradually over a period of time, women often don't begin until forced by major life events like death or divorce.

Because these women could be solely responsible for their own finances in the future, they should be preparing now for that possibility. One way is to work jointly with their partners in current investment decisions and plan as though they might someday be on their own. They can further develop investing skills by having their own retirement accounts in which they make independent portfolio decisions assisted by a professional.

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