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The social change of women in investing

Examining the key differences between men and women

Women's economic empowerment is arguably the biggest social change of our time. Those words are from The Economist, and research from Barclays Wealth concurs. A recent study by Barclays Wealth in cooperation with Ledbury Research found that women control $20 trillion in global annual consumer spending and account for up to 80% of purchasing decisions.

The World Bank says that by 2014 women will control a GDP greater than India and China combined. As this social dynamic evolves, it is important for the investing world to recognize how substantially different women investors are from men.

The Barclays/Ledbury research identifies four distinct areas where men and women differ in their approach to investing: risk taking, financial discipline, strategies, and delegation.

Women are more risk averse with only 33% classifying themselves as risk takers, compared to 49% for men, and women have a lower propensity to take on higher risk in order to achieve greater investments returns (31% to 49%). It seems that women don't focus on wealth in terms of opportunity but rather as security.

45% of women want greater discipline in their financial affairs including savings, research, and following through on well-developed plans. This compares to 39% for men. Because women are more likely to find investment decisions stressful, and less likely to describe themselves as knowledgeable, they are more inclined to perform in-depth research prior to investing.

Women's investment strategies include various self-control mechanisms, which decrease excessive trading or panic selling, and they are less likely to be market timers. Rather, 36% indicate a preference for buy-and-hold versus 41% for men. Women are also more likely to avoid information that might cause them to stray from their financial strategy.

The delegation of investment decisions is an important distinction. Even though most women do not describe themselves as confident or knowledgeable about investing, they are more apt to go it alone. Only 64% use professionals to help them plan their financial futures.

Just as the investment industry should reflect on these findings, women should consider whether the differences are entirely positive. A recent RBC poll confirms that women's attitudes about investing, such as putting immediate needs ahead of building a retirement portfolio, affect their long-term financial health. They should be seeking a balance.

Women are often late in planning for retirement, with only 46% having established a retirement savings plan by age 34. Many don't even think

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about financial planning despite the harsh reality that they could be solely responsible for managing their finances in the future. Instead they're forced into it by a major life event like death or divorce.

And women have a preference for conservative products. According to RBC, more women than men buy GICs or term deposits. Similarly, they are less inclined to invest in stocks, with only 10% opting for equities. This approach may not generate sufficient growth to fund retirement.

Capital preservation is paramount but women need to consider assets that will provide sufficient growth in their portfolios on a foundation of solid risk management. They should be involved with finances earlier to develop action plans that address short-term demands and meet long-term goals. Determining the right risk-managed structure may require professional guidance.

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