NATIONAL POST
FINANCIAL POST

JANUARY 22, 2010

Kim Inglis, BCom, CIM

Women earners entitled to a fresh approach

Study and hold; One thing sexes agree on: Money is good

Men and women are very different when it comes to investing. On a number of levels both men and women are likely to agree that investing, although time-consuming, is a satisfying endeavour. However, their investment behaviours differ dramatically.

This is the conclusion of a study funded by the Financial Industry Regulatory Authority (FINRA), the largest independent securities regulator in the US, examining differences in the ways men and women invest. It was conducted by the Iowa State University Center for Survey Statistics and Methodology.

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 confident or 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.

A 2009 TD Waterhouse study also confirms that women are less likely to let emotion direct their decisions, even in the face of difficult market conditions. Their ninth annual Female Investor Poll found that the recent market correction did little to change the way women handled their investments. Of the women surveyed 73% made no changes to the level of risk inherent in their portfolios. This was despite the fact that 54% of respondents said their investments kept them up at night.

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.

A 2009 Statistics Canada report found that more women have become the primary source of income for their families. Comparing hourly earnings, 18% are now the family breadwinner; up from 14% in 1997. Women are also closing the salary gap with 42% earning approximately the same as their husbands.

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

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by having their own retirement accounts in which they make independent portfolio decisions assisted by a professional.

With higher wages and flourishing entrepreneurship, women's financial might is growing. As women acquire more cash to invest in their portfolios the financial industry will want to adapt by developing investment products and communications strategies specifically suited to their needs. Investment Advisors too will find that methodologies must be different for these unique clients and that new approaches must replace the traditional.

Kim Inglis, BCom, CIM is an Investment Advisor. The views in this column are solely those of the author. www.kiminglis.ca.