
Women and Money



Are men or women better at investing? “This is not only a fun question but it is of great practical value,” says INSEAD Assistant Professor of Finance, Lily Fang, who hosted a Women and Money forum at INSEAD recently.

Some studies suggest that women are better investors than men. Dig a little deeper and the picture isn’t so clear.



What is clear is that too few women take an active role in investing their savings. Since women on average live longer and have lower life-time income than men, it's important that they learn more about investing, Fang says.

In a large number of academic studies of investment gains, men and women actually come out about the same on a net basis. Women do better in the end because they trade less frequently, so they don't run up expensive trading costs.

"(Men) take higher risks and higher risk is rewarded with higher returns, but after you take out the transaction costs ... men are slightly worse than women," she says.

In fact, Fang says both men and women tend to under-perform the major market indexes when they trade as individuals. "The more you trade, the more you lose out against a passive index, so compared to men, women might lose out a little less," she says. Surprisingly, men trade almost 50 per cent more than women.

The statistics are the same if you compare women and men who are professional traders, but the sample size of women professional traders is so small that Fang is reluctant to draw conclusions.

She's much more confident about the obvious conclusion: "The evidence should give women the confidence that they are perfectly capable of taking advantage of their financial well-being and we need to get that message out there so that people can start doing the planning and then it's a matter of educating yourself," says Fang.

Unfortunately, the bad news is that the bigger picture indicates that 80 per cent of women actually don't actively engage in a financial plan.



Long-term financial planning is a particularly important issue for women, Fang says, because people are living longer and women have longer life expectancy than men, often by 10 years or more, and in old age women tend to be afflicted with long-term illnesses such as osteoporosis and arthritis. “If you don’t have a financial plan in place that you started thinking ahead of time, once you get (older), a lot of people are quite shocked” by their financial status, she says.

Women should know that it's never too early to start planning. Fang says women should start saving and investing when they land their first job.

Women shouldn't fight their instincts. Fang lists some important attributes that women employ when investing their money:

- They trade less frequently to keep costs down
- They tend to hold more diversified portfolios than men
- They're more ready than men to acknowledge that they need to find resources
- They tend to have a longer-term perspective when investing
- They tend to seek personal financial advice, instead of relying on adverts and advice found on the internet

These attributes should serve investors well. But as a lot of women are busy with careers and family, some don't want to think about their long-term financial future and tend to leave financial planning to their husbands, Fang says.

Fang believes it's very important for the family, both the man and the woman, to come up with a financial plan together and to invest together. Research evidence shows that as a partnership, men and women together make better decisions. Now it's up to women to take greater control.

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