

Women & investing

– a look at behavioural finance

I have been asked several times in my career if women's financial advice needs are different to men's. The answer to this is "Yes and No."

There tends to be differences in circumstances and also behavioural finance differences between men and women. This has been confirmed in research by Merrill Lynch who surveyed more than 11,500 men and women and reported there were a few disparities. For example, women were less likely to want to make regular changes in their investment direction just to try to improve returns. Fewer changes means lower trading costs and this is shown to often result in a slightly better overall return.



Another interesting revelation in the study was that women indicated they had less financial knowledge in comparison to their male counterparts, whether or not this was based on fact. I have found this as sometimes women underestimate their own knowledge, thinking that everyone else knows much more than they do.

However, even though women own only 30% of all global wealth, they typically control 80% of the household financial decisions!

Women generally live longer than men, so it's highly likely that most women will have to fend for themselves at some point in time and so they need to plan for the long-term. A recent article suggested that 85% of women will be left alone by age 65.

Many women have taken career breaks or had to work around family commitments and still, working women in some situations, earn less than their male counterparts. This can affect their ability to save for their future.

When it comes to actually investing money, it's no surprise to me that research suggests that women make better investors than men. According to David Bach, author of "Smart Women Finish Rich", this is because they generally create a plan and then stick to it, a similar view to the Merrill Lynch survey. Men on the other hand, can suffer from a lack of commitment and are often led astray by the latest 'hot thing' instead of sticking to the investment 'knitting'! Women get the effectiveness of simple and elegant, too many men think adding more whistles and gadgets must be better. How many of those 20 programs on my washing machine do I actually use? The same can be said for investing.

So, the answer to the question is still Yes and No; men are from Mars and women are from Venus.



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