

How sexes handle investing differently

 floridatoday.com/story/money/business/2016/12/20/sexes-handle-investing-differently/95646392/

Steven Podnos 8:57 a.m. EST December 20, 2016

In life as well as in financial planning, I find some interesting differences that apply broadly to the two genders. For example, I have yet to meet a women audiophile — one who collects high end audio equipment and music collections. Similarly, men and women seem to collect very different things. Men collect cars, coins, stamps and more. I can't think of a woman who I've ever met who has any of these collections. As mentioned above, men are more likely to spend on things they collect, but some women do acquire "collections" of clothes, shoes and purses. This is not to make judgments, just observations.



When thinking about women and financial planning, I find some general gender differences as well. I have rarely met a woman day trader. They are almost all men. Right there, I'd say that women are better investors. Avoiding the impulsive and emotional triggers associated with short-term investing pays off in the long run. Women are also more likely to delegate investing choices to an adviser, although this gender difference is not as powerful. Assuming that the adviser earns that trust, the woman is again better off.

I've read that women tend to be more insecure about investing than men. On the whole, I think this is a good thing. Many men are overconfident in their ability to invest. They believe they can "beat" the millions of professional and other individual investors competing with them time after time. Delegating one's investments to a professional, or at least just staying for long periods of time with an asset allocation is a smarter move, and something more likely to result from "insecurity." In fact, large studies of the performance outcomes between women and men investors pretty consistently favor the women. Women take less risk, trade less, and sit with allocations longer.

When it comes to spending, I see little difference between the genders. There are both profligate spenders on both sides, as well as strong "money cops" in families. On the whole, I find women to be more conservative in their investment goals. They are less likely than men to want to "beat the market." Women are generally less impulsive in making quick investment decisions as well. This conservatism may work against them if they choose too stodgy of a long term portfolio, but that is very much an individual characteristic.

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Finally, in most families, it is either the man or the woman that takes charge of the finances. It is rarely a mutual effort, but more so a division of labor. I'd conclude with the thought that women are different investors than men, but won't opine who is better!

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