

# Gender Diff. in Investment Behavior: Educational Implications

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# Outline

- Methods-procedures
- Sample characteristics
- Key Results:
  - gender differences in investment behavior
- Information search strategies
- Approach to educating women about investment
- Investment educational topics

# Procedures

- National Random Sample
  - Sample 4,1410
  - Targeted geographical areas wit Av.Household income of \$100,000 and high concentration of minorities - 30%
- Data Collection
  - 911 households agreed to participate
  - CCSM conducted phone interviews between 0/05 and 2/06 (Katrina effect)
  - Average phone interview - 22 minutes (survey instrument developed, tested, refined, staff trained)
  - Response rate of 22%

# Sample Characteristics

- Whites (76%)
- Males (65%)
- Married
- Between ages of 40-60 years,
- majority had bachelor's degree,
- Fully employed
- Professional occupation,
- Average income - \$123,000
- Av. assets over a million
- Av. debts under \$400 K

# Key Results

1. Saving & money mgt. behavior
2. Investment decisions
3. Sources of financial information
4. Involvement in saving and investing
5. Financial socialization
6. Investment learning preferences
7. Attitude towards investing
8. Financial satisfaction

# Saving & Money mgt. Behavior

- In this sample:
  - mostly women are doing the daily routine household financial tasks
  - most of them save (more men than women)
  - more women have fixed income assets
  - more men have IRA and KEOGH accounts

# Investment Decisions

- generally speaking investment decisions are made jointly
- more men than women make investment decisions by themselves
- men are more likely than women to make *frequent* changes to their investment holdings
- more men make *changes* in their investment mix (women wait it out)

# Sources of Financial information

- men are users of more information sources
- men are more likely to use internet as a source of information
- women are more likely to use people as source of information
- women have more favorable attitudes towards financial advisors
- women needed someone to talk to and guide them through the process



# Information Search Strategies

- Based on information search behavior we could cluster the respondents into:
  - diversified high information search (11%)
  - internet based high information search (11%)
  - broad but less frequent information search (24%)
  - use selective work place information search (24%)
  - practice low information search and mostly depend on financial advisors (30%)

# Involvement in investing

- involvement in investment was gradual for men
- women were more likely to get involved in investment decisions due to a change in their lifestyle resulting in specific need
- more men reviewed their investment performance and followed an investment strategy
- both considered investment risks, returns and market conditions before making investment decisions
- however, few clarified their investment goals

# Financial Socialization

- majority of both men and women identified their parents as a major source of influence on their financial mgt. style
- those who identified their fathers alone were more likely to be men
- those who identified their mothers alone were more likely to be women
- teachers were mentioned by very few (more men than women)

# Investment learning preferences

- both men and women said they enjoyed learning about investing
- most also said that they prefer a one-on-one setting
- they all wanted to have more detail information
- more men like to do research on their own
- more women like to attend the seminars

# Attitude Towards Investing

- women find investing *difficult, stressful and time consuming*
- men find investment *exciting and satisfying*
- more men also feel confident and knowledgeable about investing
- more men than women said that they take above average or substantial risks
- more men than women worry about investment outcomes

# Satisfaction

- majority was satisfied with their current financial situation
- majority was also confident about a financially secure future
- however, more men than women had clear idea about their needs during retirement, and
- more men were maximizing their retirement contributions
- women seemed to be less involved and less prepared for their retirement.

# Conclusion

- Gender is an important determinant of investment behavior (gender gap is well and alive)
  - Men have been socialized in financial matters
  - Men are more confident, more inclined to feel competent and willing to take more risks
  - Men are active investors, they monitor their investments, make frequent changes, and do it themselves
  - Men are impulsive investors and want to beat the market

# Conclusion

- women are willing to seek out professional help and have positive attitude toward financial advisors
- women are less involved and less active investors
- pivotal moment that resulted in greater involvement in financial matters (investing)
  - marriage, child birth, death, divorce (marriage was identified by men and women, child birth, divorce by more women)
  - job change, sudden wealth, or financial adversity (sudden wealth and retirement by mostly men)



# Educating Women about Investing

- Dr. Edward Taylor's view
  - an authentic investment educator
  - safe and supportive learning environment
  - learner centered approach to teaching
  - group learning and individual agency
  - shared experiential activity
  - value-laden educational content
  - critical reflection and affective learning

# Education Strategies

- Other considerations:
  - focus on women's special needs (life events)
  - decrease apprehension and increase confidence
  - increase excitement
  - encourage use of investment tools
  - make information easy to understand and use
  - provide opportunity to meet with others of same need

# Educational topics

- how to build a solid saving program (the basis for investing)
- the relationship between risk and return (along with the implications of having a low risk tolerance)
- investment income (interest, dividends, and capital gains)
- understanding of investment products (their features and appropriate place in an investment program)
- the role of so-called high risk (volatile) investments in long term financial planning;

# Educational Topics

- how markets work
- investment decision-making (how to select an investment product for a specific investment goal)
- when and how to make changes to the investment portfolio
- how to find and use reliable sources of investment information (both print and Internet-based)
- retirement planning
  - assessment of retirement needs,
  - evaluation of employer-provided retirement benefits,
  - development of an appropriate retirement portfolio



# Investor Confidence: Results

Percentage Responding "Agree" or "Strongly Agree"

Confidence Indicators	White	Black	Asian	Hispanic
Knowledgeable About Investing***	62	66	71	65
Confident About Investment Ability*	62	60	77	68
Worry About Outcome of Investments***	54	49	60	50

Chi-square test: \* indicates 99% confidence; \*\*\* indicates 99% confidence

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# Investor Confidence: Males

Percentage Responding "Agree" or "Strongly Agree"  
(Percentage Male-to-Female Difference)

Confidence Indicators	White	Black	Asian	Hispanic
Knowledgeable About Investing	65 (+3)	76 (+10)	79 (+8)	70 (+5)
Confident About Investment Ability	67 (+5)	69 (+9)	78 (+1)	68 (-0)
Worry About Outcome of Investments	44 (-10)	59 (+10)	64 (+4)	51 (+1)