

# VOICES FROM THE INDUSTRY

When it comes to investing, women shouldn't shy away

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As a female neurologist and financial advisor, I've learned that women have just the right mix of caution, willingness to learn, intuition and appreciation of their overall life goals to invest money well. The puzzling thing is, that in spite of these innate abilities, women often feel uncomfortable about investing their hard-earned cash themselves. So, they delegate others, usually men, to the task. Then, they live with the results.

The outcome is not always pretty, especially in a case of a bitter divorce, early widowhood or old age when a woman lacks resources due to someone else's mismanagement.

Cutting-edge research gives women reason to turn this common wisdom upside down. It indicates that women are strong investors, often as good or better than men. Recognizing that fact is important because it can give today's modern women just the boost she needs to take control of her own financial destiny.

This is especially important today when women have made so many other gains in their lives.

## **Better in the stock market**

In 2001, researchers Brad Barber and Terrance Odean at the University of California in Davis made the startling discovery that women make more than men in the stock market.

They studied 35,000 households from a large discount brokerage firm between 1991 and 1997 and analyzed the results.

Single women earned nearly 3 percent more in an annual risk-adjusted net return compared to single men.

Married women earned a stock market annual risk-adjusted net return 1.4 percent more than married men.

This finding was not due to small numbers or lack of expertise. The researchers examined 35,000 households over seven years. Barber and Odean are among the most respected economists in the country.

### **Women money managers excel**

A separate study of male and female mutual fund managers conducted by investigators at the Center for Financial Research in Cologne, Germany, (Ruenzi and Niessen, 2006) showed similar results. While the return of the two sexes was equal when risk was taken into account, the women also simultaneously stayed closer to the criteria mandated for their fund.

They additionally traded stocks less often. These positive aspects of female management meant that the investors in women-managed portfolios were better served in several ways: One, the investor portfolio was what the client thought it was; and two, the investors' trading costs were less.

Ultimately, each of these features helps the client and means the women fund managers had a step up on men in a comparable position. Funds that remain true to style give the investor the opportunity to maintain his or her mix of funds in the way he or she designed them to be.

If one fund is off target in terms of its goals, it throws the portfolio investor off, too. Additionally, less turnover of stocks, a trait found more in the female-managed portfolios, saved trading costs for the client.

### **Fewer mistakes**

In a 2004 telephone survey of a thousand investors, divided equally between genders, Merrill Lynch investment managers concluded that women are better investors than men.

"Women make fewer investment mistakes than men and make them less often—despite the fact that, on average, they tend to know less about investing and enjoy investing less than men," the report said.

Women compared to men:

Held losing investments for shorter periods

Sold winning stocks in a timelier manner

Were more diversified

Were less likely to buy a hot investment without doing research

Turned over their securities fewer times, and were less likely to repeat mistakes.

### **Taking the plunge**

These studies show that the gentler sex can invest their money well. If women can glean 1.5 percent to 3 percent more per year than a man (husband or financial manager) who invests her money, the compounded enhancement to a portfolio over 10 or 20 years is dramatic.

There are other potential benefits to handling your own investments. Your significant other may be relieved that he is free of the burden. And you could invest the money you are paying a financial adviser.

Just as important, the money you put into your pocket by self-investing is cash you didn't have to work for in the traditional sense. What could be better?

Dr. **Mueller** is founder and president of MyMoneyMD LLC, and an advocate for self-investing. Views expressed here are the writer's.

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