



Myths of women and finance

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Time to slay a few dragons.

Way back in time, when my ex and I got together, he was en route to becoming an accountant, while I was a flower child product of Rhodes journalism. I'd settled on the course because my other alternative – at Maritzburg Varsity – had a mandatory maths course.

Somehow three years of travelling, which involved stretching the budget in unimaginable directions to fund the next country (does the theft of left-over shish kebabs in Greece count as budgeting?) meant nothing when we settled into married life. Thereupon I abdicated responsibility when it came to the family finances. Why? Because my ex had the knowledge and aptitude while I was not good with figures. Or so I thought.

I had subscribed to the myth that girls like me are good at languages, while boys are better at maths and other sciences. Certainly this is what many in society – including eminent academics like the former Harvard chief Lawrence Summers - would have us believe.

Of course research can prove anything, but there is a well-cited US study on gender, culture and mathematics performance which puts paid to the notion, showing that the differences in numerical aptitude between men and women had more to do with their environments than a biological difference between the sexes. As our patriarchal environments change, so that gap is being eradicated.

When I started researching this column I had no idea there were so many cultural stereotypes relating to how women view themselves as investors. While I can laugh at my mistakes, it seems important to slay these dragons because there are still women who unconsciously subscribe to them.

Right, so women are not numerically impaired.

Risk-averse

What about the myth that men are financial daredevils who like risk, while women are cautious and want security? I must say I can find as many studies to prove the theory as disprove it. If it is true, it can affect investment decisions relating to retirement funding. Since women are perceived to be more risk averse than males, the theory is that investment brokers tend to urge women to invest in less risky portfolios, which results in lower expected returns.

What is accurate is that women's attitudes toward risk are positively influenced by the amount of information they have available and their understanding of the product. This is according to

Credit Suisse researchers Christine Schmid and Juliette Lim-Fat who wrote a 2011 paper on the subject entitled Gender Finance: What women expect.

They argue that that risk-taking behaviour depends more on experience than on personality, or gender. Increased knowledge and experience of financial markets is therefore a prerequisite for greater confidence and consequently, risk propensity.

Many women I know would tell me they have no interest in understanding the world of investing. In my experience the more one immerses oneself in a subject, the more interesting it becomes. But that's another digression.

Thus taking calculated and informed risks does not belong to one gender or another. The story of Hetty Green (as described by Forbes here), 'The witch of Wall Street' who in 1916 grew her inheritance into \$100 million by investing wisely, is rather entertaining, and it makes a telling point.

Spendthrifts

I'm not sure I should dignify this next myth with a response: We can't save because we spend too much on lattes and shoes. Hmmm. A very dear man I know once came home with 25 pairs of socks just because buying them was a bargain. Enough said.

There are apparently some differences in the investment behaviour of men and women which if true, are worth noting. A study conducted at the Centre for Financial Research at the University of Cologne found that female fund manager's switch around their portfolios less than their male colleagues. Furthermore, women's strategies and the subsequent performance tend to be more stable.

Discussions on women and finance can go on and on. I do believe that while women are as good at finance, and can be as bold, one difference is that many women still lack the self confidence to make the investment decisions.

However there is no research that says that a lack of confidence equates to poorer investment choices and investment management.