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How female investors reacted to the recession

Women were cautious but stayed the course, many advisers say

By Nancy R. Mandell

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Women are gaining control of America's purse strings.

“By 2010,” retirement guru Ken Dychtwald predicted two years ago, “60% of the wealth in America will be controlled by women.”

And 2010 research by Prudential Financial Inc. showed that the proportion of women directly involved in making household financial decisions had risen to 95%, with 84% of married women either solely or jointly responsible for shaping their family's financial destiny. Pru's study also found that women were the primary financial decision makers in 25% of responding households.

With more and more women making financial decisions, the question arises as to how they reacted to the recession. Did they scramble for cover or did they weather the storm?

InvestmentNews polled a number of independent advisers on the subject and found almost universal agreement that women's relative inexperience may have worked in their favor.

It's commonly accepted that women are more risk-averse than men — a characteristic that experts say could work against them if they are slower to re-enter the recovering financial marketplace.

“Women may be more risk-averse, but they are also less overconfident than men,” said behavioral finance pioneer Meir Statman, the Glenn Klimek professor of finance at Santa Clara University's Leavey School of Business.

“Men who thought that they were managing the market, and thought that they could control it, got quite a shock to find out that the market treats them as a cat treats a mouse,” he said. “The fact that women were less overconfident meant they were less shocked to find out that they were the mouse.”

Why men invest differently than women is one of the topics Mr. Statman analyzes in “What Investors Want — Discover What Drives Investor Behavior and Make Smarter Financial Decisions” (McGraw-Hill Professional, 2010).

Among his findings:

• Men take risks because they think they can control things; women are more risk-averse and therefore better prepared to deal with adversity.

• Men think in terms of winners and losers; women think of investing not as a game but rather as a route to sustaining basic financial goals such as funding a child's college education.

“Men only remember the stocks that made money — not the 10 that lost it,” said Carrie Rattle, a 20-year veteran of the banking and brokerage industries. Ms. Rattle, in partnership with Irene Bradford, a clinical psychologist and former certified financial planner, is developing Behavioral Cents LLC, a financial website focused on the psychology of women's relationship to money.

Investment adviser Sean Michael Duffy noted that more than half of his client base at First Georgetown Securities consists of professional women — married and single — with a median age of around 40.

“Even in the worst of the market downturn in the first couple of months of 2009, the response of most of my women clients — even those whose jobs were in peril —was that down markets were part and parcel of investing, and that they were in it for the long haul,” Mr. Duffy said, adding that he has found that “regardless of what is going on in the markets, my female clients are generally much less impetuous and more deliberative than my male clients when it comes to making investments.”

Most of CFP Curt Weil's female clients are in the 55-to-75 age group “and have seen it all,” said the president of Lasecke Weil Wealth Advisory Group. “Other than expressing concern and seeking a bit of reassurance, they are riding out the storm.”

CFP Patrick Freeman, owner of Freeman Wealth Management, said his “short take” is that in general, independent women are more successful investors than the average male investor because they are more in tune with the prospect of ex-tended longevity. “As a result,” he said, “they have a longer-term focus, which is helpful in not making emotional decisions.”

According to Mr. Duffy, women take bad news better than men. “Generally,” he said, “I prefer to work with female clients because, interestingly enough, in my experience, they are much less emotional about the investment process than their male counterparts.”

“I think women are scared like everyone else — including professionals — but there were as many men we had to talk off the ledge as women,” said CFP Diahann W. Lassus, co-founder of Lassus Wherley & Associates PC.

PERSONAL REACTIONS

She noted that people's reaction to the downturn was personal both for men and women. “But women recognize they're going to be around for a long time, so they tend to have a longer-term perspective, less focused on short-term performance,” Ms. Lassus said. “While they're more risk-averse and concerned about loss in volatile markets, they're also focused on whether they're doing the right thing.”

To determine whether they're on the right track, women clients also tend to ask their advisers many more questions. “A lot of men should be asking these questions but they're too cocky, too smart, to ask questions,” Ms. Rattle said.

Charles C. Scott, president of Pelleton Capital Management, would not argue the point. “Men have a tendency to think they know most of what they need to know already, whether it's true or not,” he said.

“This can get in the way of their accepting advice at a time when it's most needed,” Mr. Scott said. “This is the key difference [between the sexes] that we have seen over the years.”