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Gender split seen in styles of investing

Men can be more competitive, women contemplative, studies say

Whether it's relying on a spouse to handle household finances, being afraid of doing something risky with their money or just not feeling confident, women are less likely to take an active role in investing their savings.

It's not just older women who have taken a hands-off approach; studies by investment firms and anecdotal evidence from financial advisers said women of all ages are less likely to invest.

A study last fall from Fidelity Investments showed that only 19 percent of women said they hold primary responsibility for long-term retirement decisions, but this is up from 9 percent in 2011. Twenty-four percent of boomer women said they make primary decisions on day-to-day finance, but only 12 percent of Generation Y women said they are in charge.

This is despite another study last year from insurance firm Allianz Life, saying that "bag lady" fears — that is, ending up broke and homeless — persist whether the woman is single, married or divorced, or whether she is low-income or wealthy. According to the survey, 57 percent of women said the thought of running out of money in retirement keeps them up at night.

Given those fears, why don't women look for alternatives to sticking money in a savings account that is earning less than 1 percent interest? Financial advisers said there are many reasons — but women can take more control over their financial well-being through education and understanding that there are different definitions to the word "risk."

Melody Juge, founder and managing director of Life Income Management, who focuses on retirement planning, said she has done many surveys of women, particularly boomer women, and agreed that fear is a big factor.

"There's a lack of information, there's a fear of looking silly," she said.

Not to mention, Juge said, "They're busy breast-feeding and carpooling in certain times of their life. They're not focused on money as much; they're focused on making everything OK."

Ann Marie Etergino, senior vice president at the Etergino Group, part of RBC Wealth Management, said that among the younger women she mentors, there is a view that money is intimidating.

It might be surprising to hear that women in their 20s and 30s might be indifferent to investing, but she said stock market crashes in 2002 and 2008 likely had an effect. "To them, it's risky," she said.

Recent financial market scandals haven't helped, either.

"I think Wall Street has such a bad name in general. … They think it is not for them, or they think they don't have enough money, or they think it's rigged. I think it's a combination of all those things," she said.

Redefining risk. When it comes to investing, women tend to look at stock market volatility — price swings — as risky because one can lose money in down markets, but Etergino said that's not the only risk.

"Women … should be thinking of it as the risk that I might not have enough money when I'm 95 is the risk that I'm trying to hedge against," she said.

Because women think toward the future, it can make them better investors, the financial experts said. It takes explaining and having a plan to show women that investing can help them reach their goals.

Karen McIntyre, managing director and senior financial adviser with Wescott Financial Advisory Group, works with women in transition in their lives. McIntyre said it's better to present real life stories and talk actual dollar figures, not percentages.

She also said it's important "to remind yourself that you don't need all of your money in any one year. Rather, this money will last you the rest of your life."

Etergino said that when she talks to clients, she maps out for them detailed plans, based on information given to her by the clients.

"I show them here is where you are, here is where you want to be, here are the assumptions we're making based on what you told us. … Here is documentation that you should be able to meet your goals. Having a plan gives them a greater sense of control," she said.

Not good or bad investors, just different. Once women start investing, they usually take a different approach from men, said Donna Skeels Cygan, author of "The Joy of Financial Security" and founder of Sage Future Financial.

"The tendency for women to take less risk may also have to do with the way their brains are wired. Neuroscientists are studying how different parts of our brains interact to help us make financial decisions," she said. Studies show men are more competitive with their investing, wanting to "beat" the market, Cygan said, while women are more contemplative.

"It's not good or bad, it's just different," she said.

Women's concern about market volatility can work in their favor, McIntyre said. "Women tend to be slow and steady parties. … They might not make as much, but their downsides aren't so severe," meaning they don't lose as much money, she said.

Because women are cautious, they use intuition more when they invest, Juge said. "It's an enormous advantage," she said, which usually keeps them from chasing a hot stock.

McIntyre said the long-term focus for women helps them "tune out noise." Also, she said, because women generally talk more than men, they're "better at articulating their goals, and I can quantify them so the analysis is more meaningful."

Etergino said it's important for women to learn to be good investors because it's likely they'll take care of themselves at some point in their lives, whether it's younger women who may marry later in life, or others outliving their husbands or divorcing.

"Just by the mere fact that women live longer," she said, "are we preparing them the way we should be?"