



Economic Situation and Strategy

05 April 2024

Gender Investment Gap: Does gender influence our financial decisions?

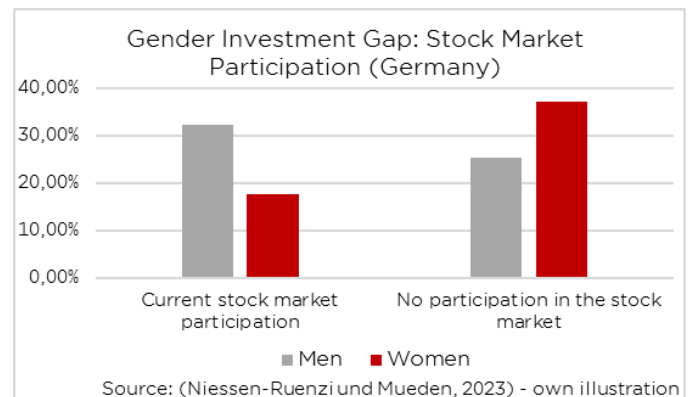
Annually on March 8th, International Women's Day, established in 1911 by socialist organizations to advance women's emancipation, serves as a platform for celebrating global strides in gender equality. Alongside the euphoria, critical discourse has not been neglected in the past month – among other things, it was criticized that women are still significantly disadvantaged, men tend to take on family responsibilities less frequently, and the women's quota in executive and supervisory boards remains at a low level despite many efforts.

In light of the "Gender Investment Gap," which describes the significant gender-specific differences in stock market participation, a similarly sobering picture emerges in the investment world. How these differences can be explained and whether men are indeed the better investors will be answered in today's edition of Economic Situation and Strategy.

What exactly is the Gender Investment Gap?

The Gender Investment Gap refers to the differential investment engagement between men and women and addresses the underlying reasons and consequences of the tendency for women to exhibit aversion towards capital markets. For instance, findings from the study by Niessen-Ruenzi and Mueden (2023) with German participants reveal that only about half as many women (17.6 percent)

as men (32.3 percent) are invested in the stock market. At the same time, significantly more women (37.2 percent) stated that they have never invested in stocks and do not foresee doing so in the future. However, this is by no means solely a German phenomenon. To grasp the global extent of the Gender Investment Gap, it is worth considering an extrapolation conducted by BNY Mellon in 2021: If women were to invest at the same rate as men, the global capital market would have an additional private wealth of approximately \$3.22 trillion USD.¹



Gender-specific differences exist not only in the investment volume but also in asset allocations. Although final conclusions in this research field are still pending, findings from studies such as McKinsey's in 2022 suggest that due to their higher risk aversion, women tend to invest more heavily in bonds and avoid riskier equity investments.² Given the historical development of capital markets, it is reasonable to suspect that the relative underweighting of stocks would have led to lower returns. The results of a portfolio simulation by Goldman Sachs

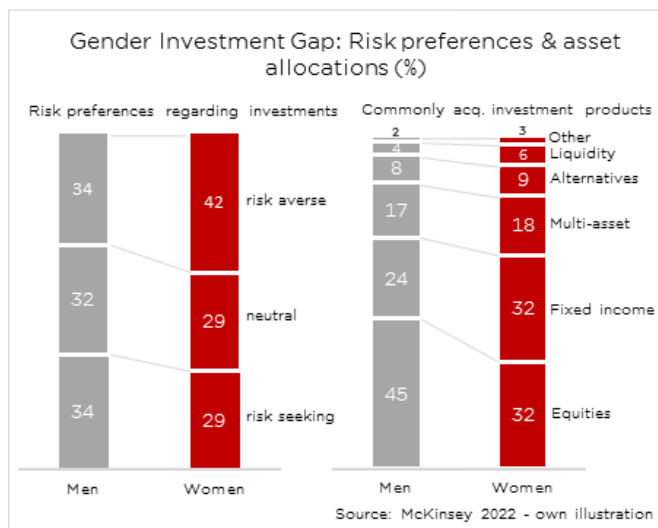
¹ <https://im.bnymellon.com/us/en/institutional/inclusive-investment.html>

² <https://www.mckinsey.com/industries/financial-services/our-insights/wake-up-and-see-the-women-wealth-managements-underserved-segment>

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confirm this suspicion, showing that the "women's portfolio," when applying McKinsey's asset allocation (see figure) between 2012 and 2022, would have underperformed the male portfolio by approximately 16 percentage points.³

Overall, it becomes clear that the interplay of uninvested liquidity and a more safety-oriented asset allocation has economic implications in the form of lower wealth growth and reduced savings accumulation. Moreover, women's higher life expectancy exacerbates the consequences, particularly in retirement.

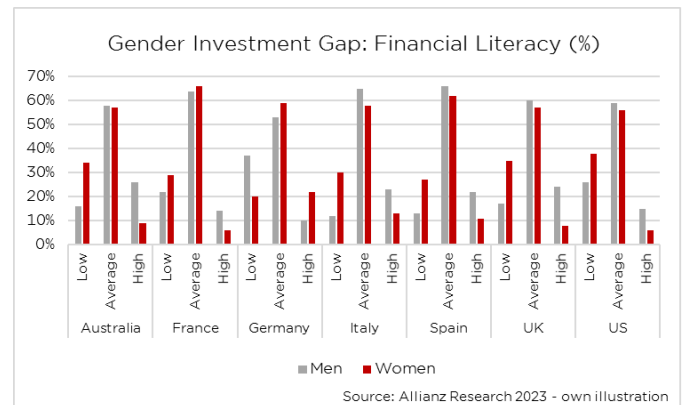


The reasons behind the low participation of women in the capital market

Upon closer examination of this issue, the question inevitably arises as to why women's participation in the capital market is so low. Although there are various arguments, three reasons are particularly decisive for the phenomenon of the Gender Investment Gap.

First and foremost, *financial socialization* plays a central role. Individuals who are exposed to financial topics by parents or acquaintances during their formative years are more likely to engage in the stock market as adults. However, research findings such as those by Niessen-Ruenzi and Mueden (2023) indicate that daughters, in particular, receive less education about financial matters during childhood, leading to lower financial literacy and confidence in adulthood. The results of a survey by Allianz on

financial literacy (see figure) aptly summarize the current situation. In most industrialized countries, women tend to have lower levels of financial literacy.⁴ The lower financial socialization of women may not come as a surprise, as the financial world has traditionally been seen as a male-dominated domain. However, the lack of familiarity with the financial world is a significant reason for women's pronounced aversion to the capital market.



The second decisive factor for the Gender Investment Gap is *female risk aversion*. Research findings indicate that women tend to be more risk-averse in investment decisions compared to their male counterparts. This lower willingness to take risks is reflected both in smaller investment volumes and in a less risky asset allocation. However, it would be premature to claim that women are inherently more risk-averse than men – especially since female risk aversion in the financial sector is not yet fully understood. The literature, however, suggests that men are more prone to the "overconfidence bias," meaning they tend to overestimate their actual knowledge. In contrast, women tend to be less sensation-oriented in investment decisions and do not view risks as an integral part of enjoyment. Moreover, it is plausible that women, due to their lower financial socialization, invest more cautiously or withdraw entirely from the capital market.

Finally, the average *lower income of women* also plays an important role in the Gender Investment Gap. Although the exact magnitude of the income differential between men and women varies depending on the assessment methodology, it is generally undisputed that women, on average, have lower incomes.⁵ Assuming an income dif-

³ <https://www.gsam.com/content/gsam/global/en/market-insights/gsam-insights/2023/bridge-the-female-investing-gap.html>

⁴ https://www.allianz.com/content/dam/onemarketing/azcom/Allianz_com/economic-research/publications/specials/en/2023/july/2023-07-27-Financial-Literacy.pdf

⁵ https://www.destatis.de/EN/Themes/Labour/Labour-Market/Quality-Employment/Dimension1/1_5_Gender-PayGap.html

ferential of 20 percent and an equal investment rate between men and women, this means that women's investment portfolios would be accumulated with 20 percent less. Taking into account the compounding effect of investments, significant differences in wealth accumulation in old age emerge.

Are men the better investors?

Finally, we would like to return to the initial question of whether men are better investors. It is obvious that men tend to invest less time in investment decisions due to their impulsiveness and their partly justified, partly irrational self-assessment. They are also more inclined towards the stock market due to their greater financial socialization and knowledge and therefore invest more and more riskily in absolute terms. This willingness to take risks can pay off financially, especially with a long-term investment horizon. In contrast, study results indicate that women tend to be more financially dependent on their partner and, in addition to having less financial knowledge, are also less willing to inform themselves about financial matters (see Niessen-Ruenzi and Zimmerer, 2024).

Despite the apparent superiority of men under the given circumstances and the different financial socialization, it is important to emphasize that higher and riskier investment decisions alone are not proof that men are better investors. Investors with an overconfidence bias, to which men tend to be subject, tend to trade excessively. The consequences of this overestimation of their own abilities and excessive trading can be seen in the fact that men on average lose more in net returns than women, who are

less likely to fall prey to trading mania (e.g.: Barber and Odean, 2001). It is therefore not only anecdotally, but also empirically, too short-sighted to necessarily regard men as the better investors.

Our (gender-neutral) conclusion

The gender investment gap is a global phenomenon that can be attributed to women's lower average financial socialization, higher risk aversion and lower income. Overall, it is important to address the gender investment gap in all its facets in order to integrate women more strongly into the world of finance and promote financial equality. Targeted financial education is essential to close the gender investment gap. Initiatives to promote women in the financial sector, such as 100 Women in Finance or the Fund Women's Network, are helpful but far from sufficient. What is needed instead are low-threshold programs to promote the financial emancipation of female investors. Platforms such as herMONEY, launched by Anne Connelly, a woman with an impressive career in the financial sector, offer targeted training programs for women and are important milestones in this respect.

Finally, we would like to encourage women to educate themselves in financial matters and actively participate in the capital markets in order to reduce financial dependencies and build wealth in a risk-aware manner. In the words of Anne Connelly: *"Women don't speculate, they invest."* This is exactly our view and we believe that women do not have to speculate, but can be successful investors with the right knowledge.

We thank Regina Klovznyk for this contribution.

Market data

	As of 05.04.2024 15:17	Change versus				
		29.03.2024 -1 week	04.03.2024 -1 month	04.01.2024 -3 months	04.04.2023 -1 year	29.12.2023 YTD
Stock markets						
Dow Jones	38597	-3,0%	-1,0%	3,1%	15,6%	2,4%
S&P 500	5210	-0,9%	1,5%	11,1%	27,0%	9,2%
Nasdaq	16049	-2,0%	-1,0%	10,6%	32,3%	6,9%
DAX	18165	-1,8%	2,5%	9,3%	16,4%	8,4%
MDAX	26935	-0,4%	3,6%	3,2%	-1,8%	-0,7%
TecDAX	3372	-2,4%	-2,0%	4,4%	2,5%	1,0%
EuroStoxx50	5010	-1,4%	2,0%	12,0%	16,1%	10,8%
Stoxx 50	4370	-1,3%	1,2%	6,4%	10,7%	6,8%
SMI (Swiss Market Index)	11511	-1,9%	0,3%	2,6%	4,0%	3,4%
Nikkei 225	38992	-3,4%	-2,8%	17,1%	37,8%	16,5%
Brasilien BOVESPA	127401	-0,6%	-0,7%	-2,9%	25,1%	-5,1%
Russland RTS	1156	1,7%	1,7%	6,9%	17,6%	6,7%
Indien BSE 30	74248	0,8%	0,5%	3,3%	25,6%	2,8%
China CSI 300	3568	0,9%	0,8%	6,6%	-13,0%	4,0%
MSCI Welt	3386	-1,5%	0,7%	8,7%	21,1%	6,9%
MSCI Emerging Markets	1049	0,5%	1,8%	4,4%	6,2%	2,4%
Bond markets						
Bund-Future	132,74	-64	-2	-357	-355	-448
Bobl-Future	117,82	-43	158	-90	-42	-146
Schatz-Future	105,64	-6	51	-65	-19	-91
3 Monats Euribor	3,89	-1	-1	-1	84	1
3M Euribor Future, Dec 2024	3,05	2	3	63	20	75
3 Monats \$ Libor	5,56	0	-2	-3	34	-3
Fed Funds Future, Dec 2024	4,75	6	16	71	183	92
10 year US Treasuries	4,39	18	17	40	104	52
10 year Bunds	2,40	12	2	30	14	40
10 year JGB	0,78	5	6	15	37	15
10 year Swiss Government	0,72	5	-8	-10	-50	2
US Treas 10Y Performance	586,34	-0,7%	-0,3%	-1,5%	-4,1%	-2,4%
Bund 10Y Performance	554,29	-0,5%	0,6%	-1,4%	1,8%	-2,0%
REX Performance Index	442,79	0,0%	0,3%	-0,8%	1,7%	-1,1%
IBOXX AA, €	3,26	1	-15	5	-20	19
IBOXX BBB, €	3,82	-2	-20	-10	-60	7
ML US High Yield	8,01	18	5	-12	-51	22
Commodities						
MG Base Metal Index	413,86	5,8%	8,0%	8,2%	-0,2%	5,9%
Crude oil Brent	91,05	4,2%	9,4%	18,7%	7,2%	17,2%
Gold	2292,90	3,5%	8,4%	12,1%	13,4%	11,0%
Silver	27,13	9,4%	14,0%	18,0%	9,1%	11,9%
Aluminium	2405,27	4,8%	9,7%	7,6%	3,5%	2,5%
Copper	9242,06	5,4%	9,3%	10,4%	5,7%	9,2%
Iron ore	99,89	-8,8%	-14,6%	-30,1%	-16,9%	-26,8%
Freight rates Baltic Dry Index	1669	-8,3%	-27,3%	-20,0%	13,3%	-20,3%
Currencies						
EUR/ USD	1,0796	-0,1%	-0,5%	-1,4%	-1,0%	-2,3%
EUR/ GBP	0,8578	0,3%	0,3%	-0,6%	-2,1%	-1,0%
EUR/ JPY	163,74	0,2%	0,3%	3,7%	13,0%	4,7%
EUR/ CHF	0,9774	0,1%	1,8%	5,0%	-1,8%	5,6%
USD/ CNY	7,2330	0,1%	0,4%	1,0%	5,1%	1,8%
USD/ JPY	151,35	0,0%	0,5%	4,6%	14,9%	7,3%
USD/ GBP	0,79	0,4%	0,9%	0,9%	-0,5%	1,3%

Source: Refinitiv Datastream

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