GENDER BIAS: DOES OUR SEX INFLUENCE INVESTMENT DECISION MAKING?

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It is a question that has intrigued social researchers and behavioural finance thinkers for decades: does gender really influence the way people invest?

And while Rice Warner is wary of venturing obliquely into the often tricky topic of gender-based assumptions, our recent exploration of member behaviour when given a choice (as opposed to a default option) within superannuation gives us some new insight into this fascinating area.

For those interested, a veritable treasure trove of research exists examining the differences in investment attitudes of the sexes.

And whilst seeking to avoid crude generalisations and gender stereotyping, such research pieces typically conclude that males tend to focus more on upside investment potential, take more risks and have more confidence in their perceived investment ability.

This would result in the blokes trading more frequently, for example. Whereas women are typically portrayed as risk averse – focused more on downside risks, investing more conservatively and perhaps underestimating their ability, meaning they are less likely to make active investment decisions.

But how well do these heuristics reflect the reality of investing within superannuation? And what impact might that have on product design and member outcomes?

From Rice Warner's analysis of some 10 million plus member accounts in Australia, it would appear that males are significantly more likely to invest in a choice option than a female. Some 26% of males in Rice Warner's Super Insights study invest in a choice option, compared with 21% of females.

What is driving commonality across the sexes when we might assume some wider variance in expected investment behaviour?

One explanation is that couples co-ordinate their investment decisions across both of their superannuation accounts. This only requires one member of the couple to be engaged in their superannuation, and investing in similar options across both accounts.

Plausible enough. However, it is impossible to test the hypothesis because funds do not know enough about their members, especially marital or partnership status, which is a shame as the topic of shared retirement saving outcomes for couples has been given recent attention by the media, with a fair bit of discussion on the neat concept of joint superannuation accounts for superannuation.

This was an idea Rice Warner initially floated in 2014. Allowing joint superannuation accounts would allow funds to discern whether differences in their member's behaviour is being driven by their marital status, which is likely to be a big influencer of behaviour (given two-thirds of members will be married by retirement).

This would be a useful input into predictive modelling and other 'big data' initiatives currently being undertaken by funds and could result in better targeted campaigns and member engagement programs which further benefit member superannuation outcomes.

Clearly, joint superannuation accounts have the potential to generate much more value than simply the reduction in fees that members might be able to achieve. And deliver the additional benefit of helping us researchers to resolve the investing battle of the sexes!

However, the picture sharpens – perhaps counterintuitively – when it comes to allocation to growth assets. Across the same sample of members, of all people who selected a choice option, the allocation to growth assets only differed by 3% between the sexes (73% vs. 70%).

These differences were still small when controlling for other factors such as the size of the members balance and the age of the member.

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