Gender Differences in Stock Ownership

Chen Xu, University of Missouri[1]
Rui Yao, University of Missouri[2]

Investment choice is critically important in achieving financial well-being and reaching financial goals (Yao, Hanna & Lindamood, 2004). Investors receive higher returns in the long-run if they are willing to purchase riskier investments (Fisher & Yao, 2017). It is important to evaluate the tradeoff between risks and returns of risky assets and develop an appropriate method to invest (Hung, Heinberg & Yoong, 2010; Weisbenner, 2002). Previous studies have shown that women are less likely than men to invest in risky assets such as stocks (Grable et al., 2009; Gilliam, Chatterjee & Grable, 2010) because they are more risk averse (Yao, Sharpe & Wang, 2011), although women's longer longevity implies that women should have riskier portfolios than men (Ho, Milevsky & Robinson, 1994). This study used the 2016 Survey of Consumer Finances (SCF) to investigate whether gender differences existed in stock ownership. Although prior research has indicated that stock ownership varies between genders, this study contributed to the literature by identifying factors that are associated with these differences. By using a decomposition method, this study clarified that gender differences in stock ownership are not due to gender itself but rather attributable to gender differences in other investor characteristics such as education, income uncertainty and defined benefit pension plan ownership.

References

Fisher, P. J., & Yao, R. (2017). Gender differences in financial risk tolerance. *Journal of Economic Psychology*, *61*, 191-202.
Gilliam, J., Chatterjee, S., & Grable, J. (2010). Measuring the perception of financial risk tolerance: A tale of two measures. *Journal of Financial Counseling & Planning, 21*(2), 30–43.
Grable, J., Roszkowski, M., Joo, S. H., O'Neill, B., & Lytton, R. H. (2009). A test of the relationship between self-classified financial risk-tolerance and investment risk-taking behaviour. *International Journal of Risk Assessment and Management*, *12*(2-4), 396-419. doi: 10.1504/IJRAM.2009.025929
Ho, K., Milevsky, M. A., & Robinson, C. (1994). Asset allocation, life expectancy and shortfall. *Financial Services Review*, *3*(2), 109-126.
Hung, A., Heinberg, A., & Yoong, J. (2010). Do Risk Disclosures Affect Investment Choice? RAND Labor and Population Working Paper No. WR-788.
Weisbenner, S. (2002). Do pension plans with participant investment choice teach households to hold more equity? *Journal of Pension Economics & Finance*, *1*(3), 223-248.
Yao, R., Hanna, S. D. & Lindamood, S. (2004). Changes in financial risk tolerance, 1983-2001. *Financial Services Review, 13*(4), 249-266.
Yao, R., Sharpe, D. L., & Wang, F. (2011). Decomposing the age effect on risk tolerance. *The Journal of Socio-Economics*, *40*(6), 879-887.

[1] Ph.D. Candidate, Department of Personal Financial Planning, University of Missouri, 240 Stanley Hall, Columbia, MO 65211. Phone: (573) 639-1639, Email: cxwrc@mail.missouri.edu

[2] Associate Professor, Department of Personal Financial Planning, University of Missouri, 239 Stanley Hall, Columbia, MO 65211. Phone: (573) 882-9343, Email: yaor@missouri.edu