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FinaMetrica Data Highlights Men Can Handle More Risk Than Women

Sydney, Australia (October 14, 2015) – When it comes to investing, women are generally less tolerant of risk than men – but the difference is less than you might think, according to FinaMetrica co-founder Paul Resnik, who is warning advisors to test the risk tolerance of all investors and not superimpose their own preferences onto investors.

According to FinaMetrica data, the average risk tolerance level of males is 53.44, which compares to 46.82 for females. Within couples, the data is similar; with scores of 52.75 for men and 47.26 for women. In both cases, males are more risk tolerant than females by almost the same margin.

“Our data shows that while men tend to favour riskier investments, women typically have more conservative tastes,” said FinaMetrica co-founder Paul Resnik. “This finding has been backed up by several studies over the years of males’ risk taking behaviour, highlighting their greater appetite to take on risk, with researchers often pointing to evolutionary reasons.

“Part of the reason we believe for males’ greater propensity to take financial risk could be buried in Darwin’s views of successful and adaptive behaviour. Nature enabled aggressive males to flourish. They were successful hunters and gatherers and the more aggressive males flourished while the passive males never got to eat. So, over time, this has transferred over the males’ behavior generally, including their appetite for financial risk,” said Mr Resnik.

“But it’s also important to note that the difference in male and female risk appetite isn’t as great as some people might think. Both men and women on average sit in the same risk group, so what we are seeing are slight differences. Individually, however, males and females may vary widely in their risk tolerance levels.

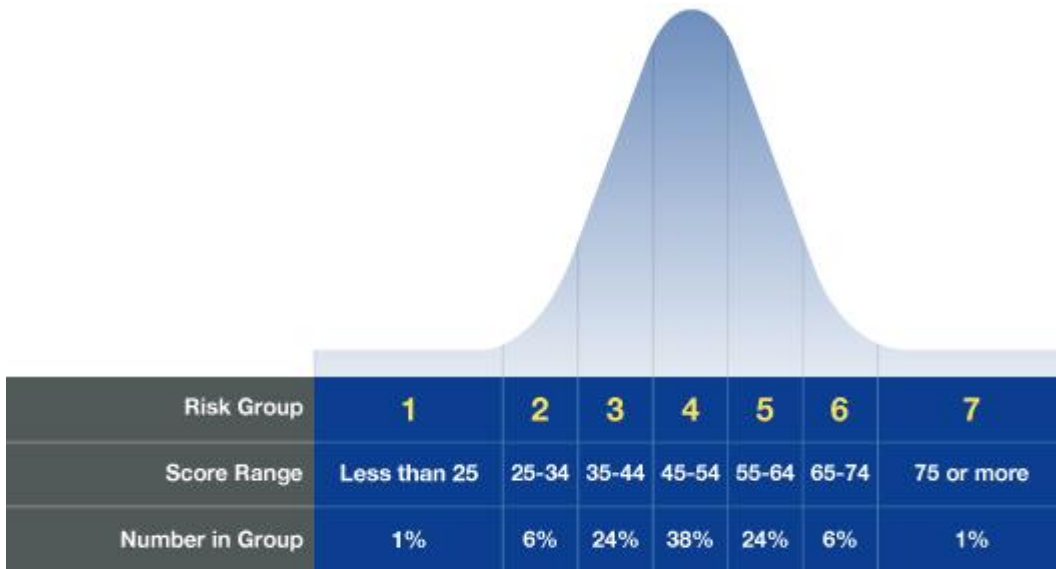
“Either way, before they make financial decisions, each person should have their risk tolerance objectively measured, which is possible through scientific testing. Ultimately, how a person feels about financial risk will affect which type of investments suit their needs and those with which they can sleep well at night.

“It’s also very important that financial advisors don’t superimpose their own risk preferences onto clients, whether male or female, and there is a risk this will happen if advisors don’t scientifically test a client’s risk tolerance in an objective way.”

Mr Resnik said a good risk tolerance test would take as little as 10 minutes to complete yet the benefits were numerous. “People are far more likely to stick to their financial plan through market highs and

lows if they are comfortable with the risk levels they have taken and understand at the outset their financial plan, and the risks it entails, because they have been fully informed by their advisor.”

To briefly explain FinaMetrica’s test, risk tolerance scores are given on a 0 to 100 scale, mean 50 and standard deviation 10. Scores are distributed in the familiar bell curve as shown below. As can be seen below, while male and female risk tolerance levels vary, on average, they sit within the same risk group.



About FinaMetrica

Advisors rely on FinaMetrica’s award-winning risk profiling process to help clients stay invested and achieve their financial goals by delivering suitable investment advice. Launched in 1998 and proven through market cycles, FinaMetrica is used by thousands of leading advisors around the globe to scientifically assess their clients’ risk tolerance, incorporate those assessments into the financial planning process and frame expectations more realistically. Over 850,000 FinaMetrica risk profiles have been completed to date. For further details visit www.riskprofiling.com

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