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FOUR WAYS MEN AND WOMEN THINK DIFFERENTLY WHEN IT COMES TO *financial decisions*

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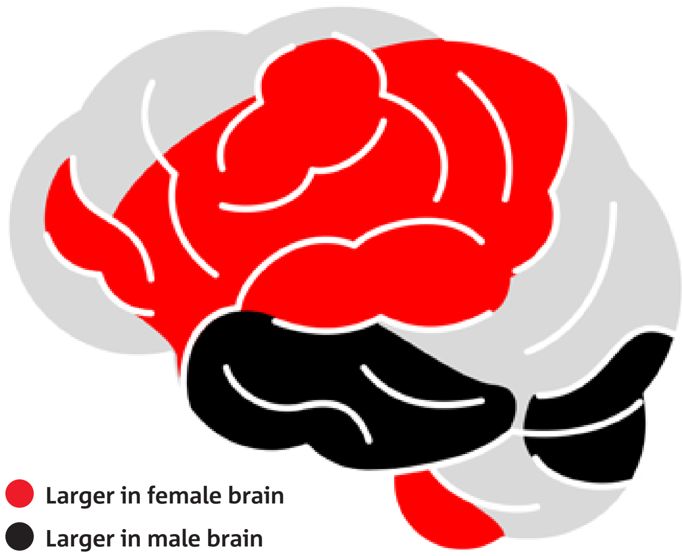
Research tells us a person's gender can impact the way they make investment decisions. Anatomical differences in male and female brains could explain differences in our attitudes towards investment risk as well as determine how much emotions drive our money decisions.[1]

By understanding these differences and what they could mean, you can take an active approach to managing your financial future.



1. Men are more likely to benchmark themselves

When assessing the success of their investments, men are more likely to compare their investment returns to a benchmark or their peers, rather than actually considering what return they need to meet their personal goals. A good idea for people who know they like to benchmark themselves is to figure out what they actually need. For example "I need a 7% return each year adjusted for inflation before I have enough money to retire". For these investors, it's worth considering outcome driven investment strategies, like real return portfolios, which aim to produce a return above inflation.

2. Women are more likely to procrastinate

If you're someone who's likely to procrastinate when it comes to making important investment decisions because you're worried about losses or making a poor investment decision, consider a dollar cost averaging strategy to get into the market slowly. By investing smaller amounts at regular intervals, you'll buy less units of investments when the market is up (and prices are high) and more when the market is down (and prices are low). Your total cost is averaged so you could end up with a greater number of units than if you invest in a lump sum. This helps take the guesswork out of deciding when to invest, particularly when markets move up and down frequently, and avoid the risk of poorly timed initial investments.

3. Men are more likely to take on too much risk

Men generally look for more risk and excitement in their investment portfolios which can mean they invest in ways that can be costly to their long-term goals. For example, research shows that men are more likely to invest in 'high risk' options than women.[2] This need for more excitement in investment is also clearly demonstrated in more frequent share trading behaviour, which doesn't necessarily translate to higher returns. Men have been shown to trade 45% more than women, but on average produce lower returns, by 2.7%[3]

For those tempted to take on too much risk, a disciplined approach could work well. A separately managed account may be worth considering. This option lets you have ownership and daily oversight of your investments, but ensures the portfolio is being professionally managed to a risk profile and objective.

4. Women are more likely to be risk averse

Research shows there are differences in our brains that mean men tend to focus on excitement and rewards in many activities, without due attention to negative consequences. Women on the other hand are generally more cautious and seek less excitement from the same activities. For those who are more cautious, it's important to assess if returns from lower risk investments like cash, term deposits and fixed income will in fact help meet their goals. Inflation is a really important consideration. These lower risk investments may not be able to give you the returns you need to keep up with inflation. Real return focused portfolios, with outcome or inflation targets that manage downside risk may be a good option for some.

Speak to a financial adviser to help you make decisions about managing your financial future or visit NAB Asset Management's investment insights at nabam.com.au.

For more information about investing and different investment options, go to nabam.com.au.

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[1] *'Normal sexual dimorphism of the adult human brain assessed by in vivo magnetic resonance imaging', Goldstein JM, Seidman LJ et al, Cereb Cortex, 11(6), June 2001.*
[2] *'High risk profile is defined as equal to, or higher than, 85% growth and 15% defensive assets. Data was provided by the NAB Wealth Advice Services team. The data was sourced from IRESS' XPLAN financial planning software and relates to NAB aligned licensees only. Data is associated with clients who have an investment portfolio recorded in their XPLAN profile. The risk classification is based on the assessment made during the Advice process and may not be representative of actual investment behaviour.*
[3] *'Boys will be boys: gender, overconfidence, and common stock investment', Barber BM, Odean T, Quarterly Journal of Economics, February 2001.*
[4] *'Gender differences in risk assessment: Why do women take fewer risks than men?', Harris CR, Jenkins M, Judgment and Decision Making, 1(1), July 2006.*

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