What men can learn from women about investing

ELIZABETH HARDING & DIANA ORLIC
Finance

A complete financial plan goes beyond investing and proving your stock market prowess

The list of differences between the genders is long and growing. An evolving body of knowledge over the years has revealed, for example, that men and women communicate differently, they manage their health differently and they solve problems in unique ways.

Is there a difference between the way men and women approach financial planning? You bet there is. And the reason is the gender-specific approach to problem-solving. Faced with a challenge, men take charge, assert control and stay in command until the situation is resolved. Women tend to adopt a more collaborative approach to problem-solving.

Now, if the "problem" at hand is investing, research by Dr. Brad Barber (PhD) of the University of California at Davis and Dr. Terrance Odean (PhD) from the University of California at Berkeley showed that female investors tend to see better results over time. Their 2001 study in the *Quarterly Journal of Economics*, "Boys Will Be Boys: Gender, Overconfidence and Common Stock Investment," looked at investing patterns in more than 35,000 households from a large discount brokerage firm. They found men traded stocks nearly 50% more often than women, driving up the men's costs and lowering their returns.

We've noticed that women will come to our office and engage in a long conversation about their income, their aspirations, their family obligations and their plans for the future. Women will listen as much as they talk, taking the time to educate themselves about the intricacies medical professionals face in structuring their finances.

Missing the full picture

A lot of men (though in fairness, not all of them) start off talking about the equity market or fixate on the price movements of certain stocks. They want to look smart and sophisticated and be on the right side of an equity bet. This misses many other critical issues that go into a comprehensive financial plan.

Rather than investing according to what will make them look good, women will invest according to a plan—not according to what mood they are in or whether they will be "right" or "wrong."

The good news is that our X and Y chromosomes don't have to control our investing destiny. Regardless of gender, there are three golden rules every medical practitioner should follow when drawing up a financial plan.

First, the marketplace is flooded with products and solutions that are promoted with slick marketing. Look beyond an investment portfolio of stocks, bonds, exchange-traded funds and what have you. Your financial picture must also include tax and estate planning, accounting and legal advice, and risk and insurance planning, especially if you've incorporated your practice.

Second, don't go it alone—this applies to you and your adviser. A broker with a big ego may try to craft your entire financial plan himself. Find an investment adviser who has experience working with physician clients and who is willing to work with lawyers, accountants and tax professionals and be in constant conversation with all parties so your best interests are always looked after.

Third, educate yourself and your advisory team. Learning involves asking questions, which some people—particularly men—won't do for fear of looking naive. But being inquisitive is the best defence against getting the wrong advice. On the flip side, make sure you tell your advisory team everything about your financial picture and your long-term goals for you and your family.

At a fundamental level, women tend to see investments as simply one part of a greater whole that includes important concepts such as values, goals and relationships. When framed within this broader context, we've found that men will also open up about the bigger picture and come away with a far more balanced and enduring financial plan than they would have otherwise.

Of course, statements about gender behaviour are, by definition, generalizations. But ask any market observer, and they'll probably confirm there are a few things men could learn from women when it comes to investing.

Elizabeth Harding and Diana Orlic are investment advisers with the Orlic Harding Cooke Wealth Management Group at Macquarie Private Wealth in Burlington, Ont. They can be reached at elizabeth.harding@macquarie.com and diana.orlic@macquarie.com.

Practice Gems

Smile—even if you don't feel like it

A 2005 STUDY from researchers at Penn State University concluded that people who smile are considered more likable, more courteous and more competent. So that's one reason to grin during patient interactions. The other reason is it's supposed to put you in a better mood, too. Even fake smiling helps. In *On the Origin of Species*, Charles Darwin mentioned a neurologist, Dr. Guillaume Duchenne, who stimulated facial muscles with electricity and concluded that these induced smiles resulted in a better mood. Another 2005 study that the computer firm Hewlett Packard carried out in the U.K. showed the level of neurological stimulation from seeing a child's smile was equivalent to the stimulation from having eaten 2,000 chocolate bars or receiving a gift of £16,000 cash. So even if you are more inclined to imitate the realistic, sober Eeyore than the bouncy, slapdash Tigger, consider turning that frown upside down to kick-start your mood and make patients and administrators smile back at you.—*Melissa Yuan-Innes is an emergency physician in Cornwall and Alexandria, Ont.*

Do you have a Practice Gem to share? Send your ideas to Carol Hilton at carol.hilton@medicalpost.rogers.com.