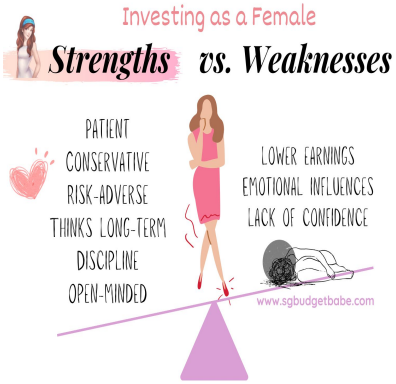

How can females become better investors?

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Hint: You wonâ??t have to try too hard, as long as you learn how to leverage your innate female characteristics that has been proven to lead to better investing results over time.

Back in 2017, I first wrote about how women make for better investors than men, as long you learn to leverage your innate feminine traits and instincts that make for outperformance.

This is not just me making bold claims â?? numerous research studies and surveys have since proven that the **women indeed do make better investors**. Consider these:

- Women outperformed males by about 1.8% per year, in a 2018 study by The Warwick Business School with 2,800 investors
- Female clients earned 0.4% higher returns *and* were better savers, in a 2021 Fidelity study of over 8 million investment accounts
- A larger performance difference of nearly 1% was identified in a UC Berkeley study in the 1990s
- Women are less likely to trade actively vs. the men, and log on to their trading accounts half as much as the men do.

Of course, all of us â?? regardless of our age and gender â?? are vulnerable to making bad investment decisions. But the key lies in recognizing who we are as an investor, and setting up processes to overcome our weaknesses.

For instance, overconfident investors often feel a stronger urge to buy more in good times to capture gains, or sell more in difficult times to prevent future losses. If you too, found yourself exhibiting these tendencies in the last 3 years, you may want to check in on what you can do differently next time.

In the last 3 years alone, investors lived through a rollercoaster ride as the markets dropped sharply in early 2020 due to the pandemic, before going into a huge bull market fuelled by money printing and a hype over growth stocks. That lasted until early 2022 when interest rates started rising, causing valuations to drop and the stock markets crashed.

The Challenge of Being Female

Unfortunately, being a woman isnâ??t easy. Not only do **women earn less due to wage disparities** *(a male colleague in the same role and a smaller portfolio was paid 25% higher than me),* we also **have longer lifespans**.

In addition, women tend to be the default caregiver for their families, which sometimes lead to having to take time off work â?? a limitation acknowledged even by our very own Prime Minister. These breaks not only hinders their career growth, but also means that for many females who stay home to care for their children or elderly parents, they have less personal funds going into a retirement plan, causing a huge financial disadvantage for them later on in old age.

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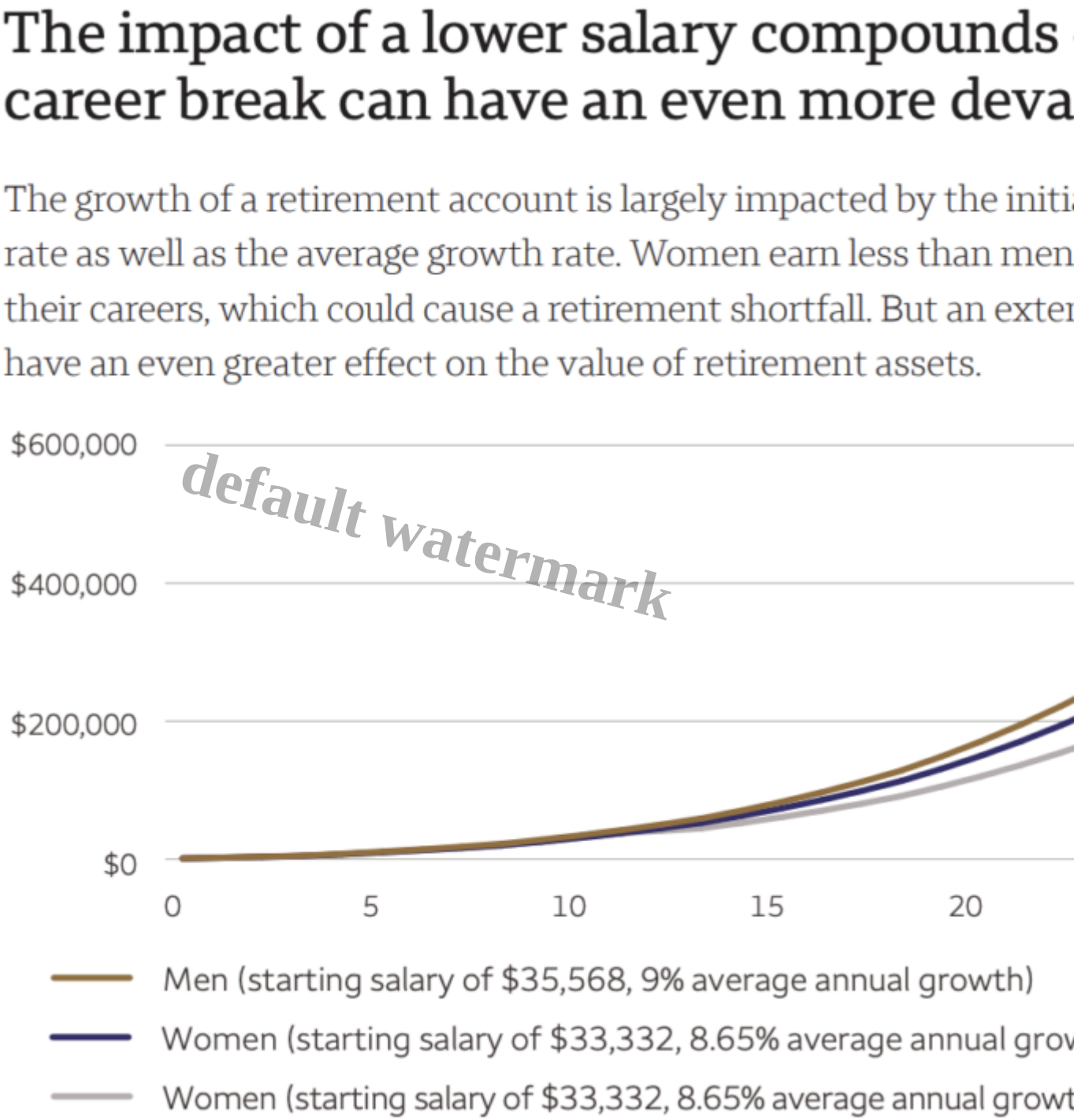
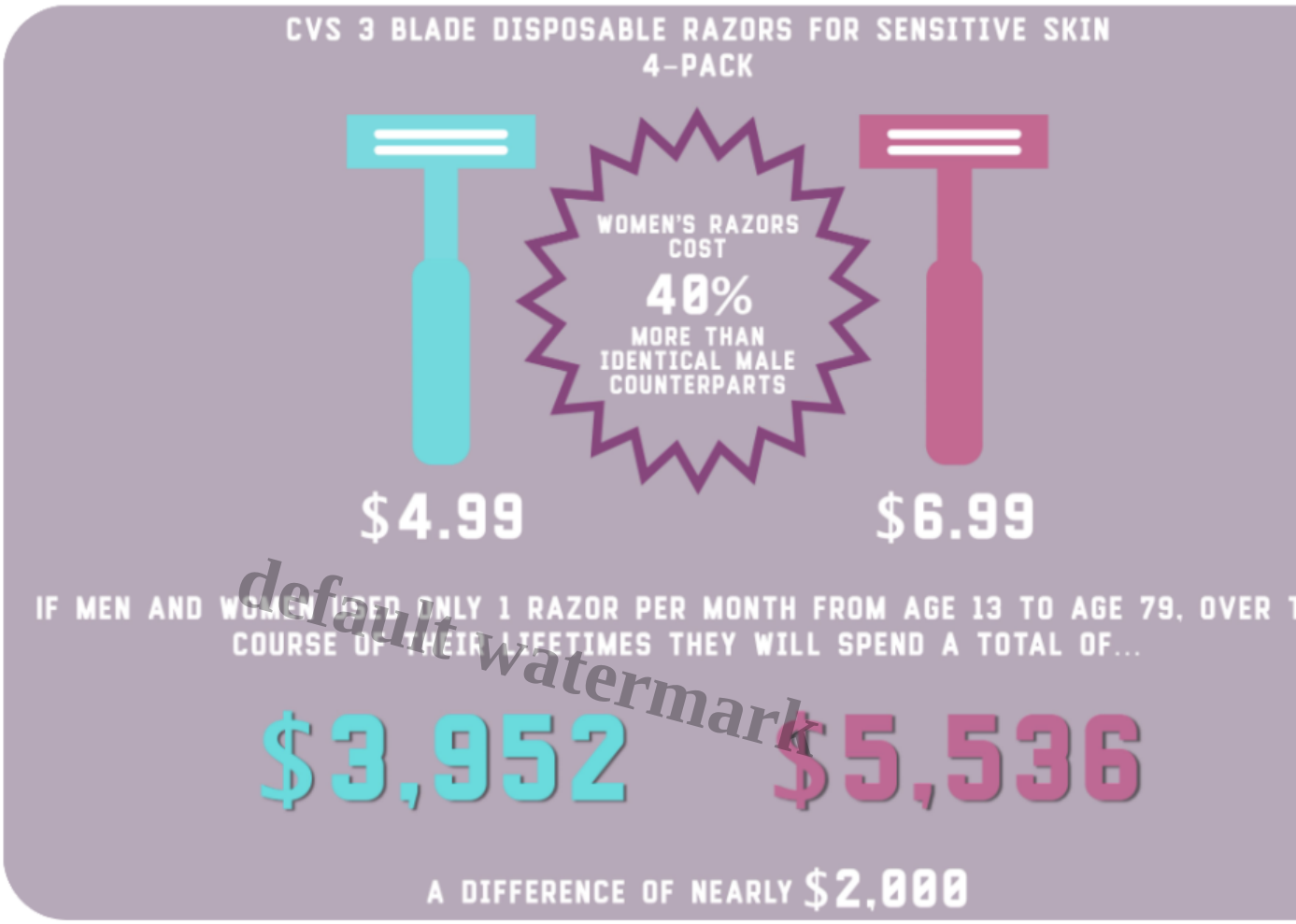


Source: Wells Fargo 2022 Women and Investing

We havenâ??t even talked about how it generally costs more to live as a woman than a man in todayâ??s society. Just look at the cost of skincare, haircuts, makeup or even clothing â?? these usually cost more for females, a phenomenon termed as â??the pink taxâ?•. Monthly menstrual costs also add up, whereas the males donâ??t have such problems.



And this is only for razors. Source: Pinterest

Put all of that together and you essentially get **less lifetime earnings but higher expenses** (and for longer).

If we women donâ??t do anything about it, weâ??ll find ourselves in a worse financial state than our male counterparts.

Investing as a Woman

By now, you already know that investing is the best way to grow and compound your money over time.

The good news is, women might just be primed for better investment success. And for most of us who are already in charge of the household finances, we have it in us to succeed.



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The skills that come with managing a household budget are similar to what it takes to succeed in the investment markets: find bargains, allocate your cash wisely, and invest for a bigger payoff down the road.

When you pay for your childâ??s food and vitamins, youâ??re investing in their physical growth and health. When you pay for their education, youâ??re investing in their future. The same goes for investing â?? when you invest in a diversified financial portfolio, youâ??re putting your money to work and secure your retirement.



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Source: Fidelity

Now you just need to translate that into your personal finances.



In the above-mentioned studies, the common traits identified that made women outperform their male counterparts were:

- Patience: women are more likely to be patient in waiting for returns, and are less likely to be swayed by short-term market fluctuations.

- Conservative: women tend to consider the potential downside of investments first, and be more thorough in their research and analysis when making investment decisions.
- Risk-adverse: researchers believe that because many women often invest with their family and loved ones in mind, they are less inclined to take unnecessary risk.
- Thinks long-term: women often invest with a longer time horizon in mind.
- Disciplined: females are more likely to stick to a long-term investment plan and resist the temptation to make impulsive decisions based on short-term market fluctuations.
- Open-minded: women are more likely to seek out advice and consider a variety of perspectives, which often leads to more informed and well-thought out investment decisions.

Of course, we are not without our weaknesses either. But here are some ways to overcome them:

- Lower earnings: you can make up for a lower capital when you invest earlier and in a disciplined manner.
- Emotional influence: as much as Iâ??d hate to admit that women are generally more emotional, we are more prone to becoming fearful â?? especially since we invest with our loved ones in mind â?? and acting on it irrationally. One way to reduce this is to come up with â??investment rulesâ?• or a checklist to guide you on each decision that you make.
- Lack of confidence: donâ??t let ignorance and unfamiliarity hold you back. Investing is a skill, and it starts from first learning the vocabulary before you practice it and become competent over time. *To learn the language and tools of the trade, you can also check out courses that Iâ??ve curated here.*

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As a female myself, I find that the biggest challenge I face is with my time and a lack of like-minded peers whom I can discuss investment ideas and philosophies with. Thatâ??s why I sought out new friends (albeit mostly males) when I started investing, and you can easily do that online today too (including on communities found on moomoo).

But time will always remain a precious commodity, and this is perhaps my newest and biggest challenge ever since becoming a mother. With two young kids demanding my constant attention, it can be hard to focus, but Iâ??ve worked around that by scheduling in pockets of time to do my research and update my portfolio every week.

Conclusion

In my discussions with many female readers, I often find that the biggest weakness they have is their own mistaken belief that they are not good investors. So I hope the above evidence â?? both anecdotal and academic-based â?? convinces you that hey, you DO have what it takes to succeed when you invest.

Whatâ??s more, while most females readily talk about makeup, beauty, their OOTDs or food, we seldom open up about our own personal finances. We can start changing this from our generation onwards, so our daughters of tomorrow can grow up in a culture where having open conversations about oneâ??s financial state and how to improve it without fear of judgment.

When I first started this blog almost a decade ago, I received much criticism from fellow women who called me â??stingyâ?•, â??miserlyâ?• and â??money-mindedâ?• whenever I talked about saving

money. But 10 years on, that has changed. Talking about money is no longer as taboo as it used to be, and becoming â??financially wokeâ?• is now deemed as cool.

And if your â??inner auntieâ?• loves shopping for bargains as much as I do, let me tell you that it is a lot more rewarding when you find bargains in the stock market vs. at the supermarket or department store.

Plus, with tools like automated dollar-cost averaging, robo-advisory platforms, a wide range of exchange-traded funds today and even cash management products, it has become so much easier for us women to create a portfolio that can cater to our level of skill and time. Whether youâ??re a young 20-something female with limited capital or a 40-something mother juggling your career and caregiving, youâ??ll definitely be able to put together a portfolio that works for you.

As we celebrate International Womenâ??s Day this year and reflect on the crucial role that females play in society and at home, letâ??s also not forget to do something for ourselves â?? and invest to secure our own financial future.



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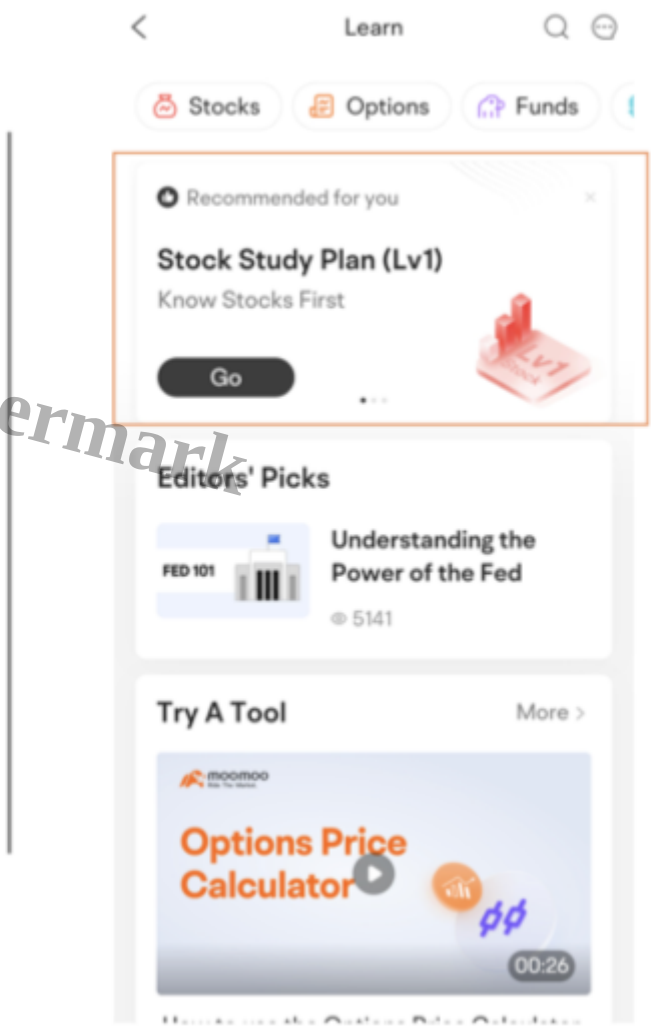

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If you're new to investing, you can also find various basic investing courses

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