

Markets

Financial Advisers Give Women Worse Advice Than Men, Study Finds

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September 5, 2020, 8:00 AM GMT+8

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Women looking to manage their investments wisely now have another thing to worry about: whether the advice they are getting is biased.

A two-year academic study covering every local financial-planning firm in Hong Kong found consultants frequently pushed women into chancier investments than they recommended for men with similar risk appetite.

“Advisers think they can fool the women and get away with selling them advice with sub-par results,” study co-author Utpal Bhattacharya of the Hong Kong University of Science and

Technology said, suggesting that's because they perceive women to be less financially literate than men. "This is what we call statistical discrimination."

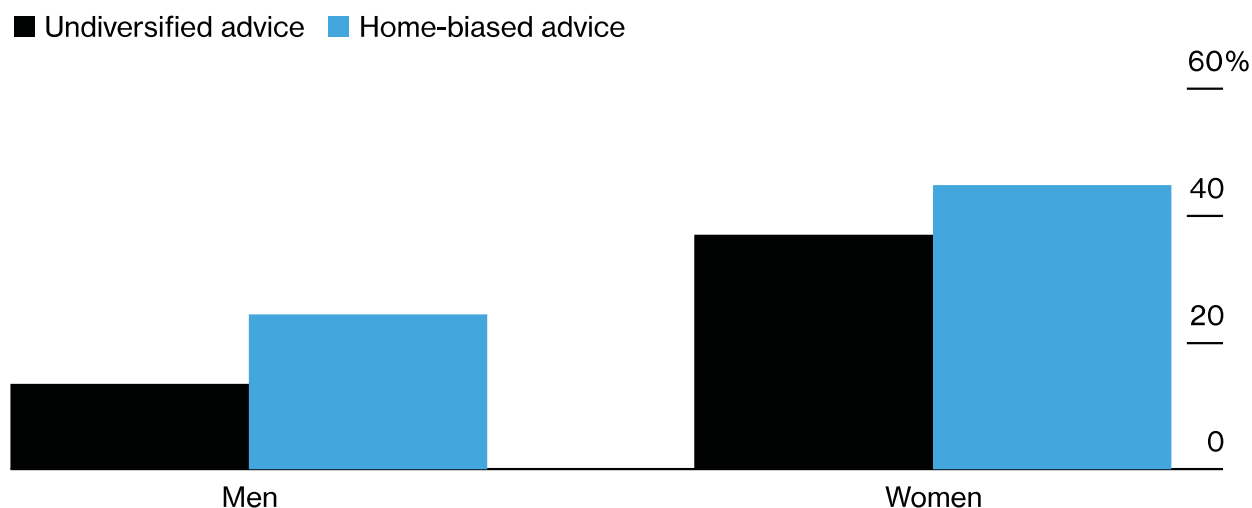
The motivation, the researchers suggest, is the financial planners saw an opportunity for commissions. The logic goes that women were less likely to be able to spot bad advice and more likely to buy products if the recommendation chimed with what they wanted to do anyway.

It's an attitude that could cost not only clients but backfire on the advisers themselves. A separate gender-bias survey from Bank of America Corp. recently found wealthy female investors who have negative experiences with their financial advisers are infact more likely than men to fire them.

The researchers hired 32 mystery shoppers, half men and half women, to pose as potential clients in Hong Kong. Each was randomly allotted three traits: a high or low risk tolerance, a high or low level of confidence, and an inclination towards domestic or international investments.

Gender Advice Gap

Financial planners recommended riskier investments more often to women



Source: Hong Kong University of Science and Technology

Giving all participants such characteristics, which they were told how to convey to the planners, enabled the academics to control for reasons other than gender why varied advice may be given.

Read the full paper: "Do Women Receive Worse Financial Advice?" by Utpal Bhattacharya, Amit Kumar, Sujata Visaria, and Jing Zhao

The results showed over a third of women (37%) were directed towards undiversified investments -- such as individual stocks, complex insurance products and real estate investment trusts. Just 14% of men were funneled towards such risky strategies. Women were also advised to invest more in domestic assets than internationally compared with men.

Sally Wong, chief executive officer of industry organization the Hong Kong Investment Funds Association declined to comment on the findings of the study.

So if you are a woman in Hong Kong looking for investment advice, what can you do to protect yourself?

If you have good financial knowledge and you know what you want, you could do the trades yourself via a brokerage house where the cost of transactions is very low, Bhattacharya suggests.

“If you have less financial knowledge, then you have a problem.”

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