

Husbands still dominate investment decisions, research reveals

August 29 2024



Credit: Nataliya Vaitkevich from Pexels

Husbands still have more control over investment decisions than their wives, despite signs they are riskier investors, according to new research.

This new study, led by a team from the University of Essex, LSE and the University of Cambridge, is the first to look at the gender gap in household decision-making in relation to investment portfolios in stocks and shares across multiple countries.

It highlights that this power imbalance could expose [wives](#) to unwanted financial risks.

Researchers found that within many households, spouses had different levels of risk preference when it came to [investment decisions](#). In Australia, 43% of households had spouses with different levels of risk. This figure increased to 57% in Germany and 65% in the US.

However, when it came to who had the final say over investments, husbands had the most influence on the decisions.

"Our research clearly shows a gender gap when it comes to who has the most bargaining power in a relationship in terms of investment decisions, with women often having less influence over household financial matters compared to men," explained Dr. Ran Gu, one of the lead authors of the study.

"We found this mismatch correlates with other research into household money matters, such as day-to-day spending and large purchases. Husbands often seem to have the upper hand."

The study, published in the journal [Review of Financial Studies](#), identified two main reasons for this gap—gender norms and individual characteristics.

"Generally, husbands are usually older, are more likely to have a job, and earn more than their wives, which gives them more bargaining power in discussion around investments," explained Dr. Gu.

In households with traditional gender norms, [husbands](#) make all the investment decisions without consulting their spouse.

"However, in households where there is more equality in roles, it is more likely to be the wife who leads the financial matters, but she will still listen to her husband's opinion and incorporate his ideas at least 30% of the time."

Personality traits also play a part in who has the most bargaining power with individuals who are less agreeable and less extroverted—typically more likely to be men—tending to have more bargaining power.

Despite all this, the research also suggests that men are more risky investors, so this gender gap could harm wives' financial well-being by exposing them to more risk than they are comfortable with. For instance, if a husband invests heavily in volatile stocks, the couple's portfolio could fluctuate dramatically, causing significant anxiety and financial insecurity for the wife.

"Being exposed to higher investment risk can leave wives financially vulnerable and undermine their sense of security, especially if the risky investments fail," said Dr. Gu, from the Department of Economics at the University of Essex.

He added, "Addressing this [gender gap](#) in household financial decision-making is not only a matter of social justice but is crucial to overall well-being.

"Efforts to promote gender equality should extend beyond the workplace and into the home. By promoting more equal decision-making and challenging traditional [gender norms](#), we can create a fairer and more secure financial future for all family members."

More information: Ran Gu et al, The Gender Gap in Household Bargaining Power: A Revealed-Preference Approach, *The Review of Financial Studies* (2024). [DOI: 10.1093/rfs/hhae039](https://doi.org/10.1093/rfs/hhae039)

Provided by University of Essex

Citation: Husbands still dominate investment decisions, research reveals (2024, August 29)
retrieved 30 August 2024 from <https://phys.org/news/2024-08-husbands-dominate-investment-decisions-reveals.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.