

Do financial experts make better investments?

October 28 2014



Financial experts do not make better investment decisions than untrained peer investors, suggests a study co-authored by Andrei Simonov, associate professor of finance at Michigan State University. Credit: Michigan State University

Financial experts do not make higher returns on their own investments than untrained investors, according to research by a Michigan State University business scholar.

The first-of-its-kind study analyzed the private portfolios of mutual fund

managers and found the managers were surprisingly unsuccessful at outperforming nonprofessional [investors](#). The findings suggest average investors might be better served to handle their own portfolios rather than pay the often-high fees charged by mutual fund managers, said Andrei Simonov, associate professor of finance.

"The point is you have these very educated people who are supposed to know what they are doing, but they are just not that good, on average," said Simonov.

Simonov and Andriy Bodnaruk of the University of Notre Dame compared the portfolios of 84 mutual [fund managers](#) in Sweden against the portfolios of untrained investors who had similar incomes and backgrounds. The findings are applicable to the United States and most other countries in the global marketplace.

Simonov said the inability of financial experts to make better investment decisions than their untrained peers is likely due to a lack of talent and the fact that succeeding in the [mutual fund](#) market is an extremely difficult task.

"I am not disputing that there is a very small fraction of managers who are extremely talented," Simonov said. "But there are very, very few of these superstars, and the average investor probably can't afford to invest with them anyway."

The study appears online in the *Journal of Financial Intermediation*.

Provided by Michigan State University

Citation: Do financial experts make better investments? (2014, October 28) retrieved 21 September 2024 from <https://phys.org/news/2014-10-financial-experts-investments.html>

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