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How does Gender and Age Influences Investment Behaviour: A Review

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ABSTRACT: The complex interactions between gender and age in determining investment behavior are examined in this study. Through secondary research, it examines psychological theories, behavioral biases, and social conventions that affect how people perceive risk and make investing decisions differently. The study emphasizes the importance that customized tactics possess for financial institutions and policymakers to close these disparities. The analysis is guided by statistical information and findings from sources published after 2017. The results highlight the need for gender- sensitive financial education and tailored advice services to promote equitable investing outcomes. This research contributes to a fairer financial environment that meets the varying demands of investors across different age and gender groups by acknowledging the complex nature of investment decisions.

KEYWORDS: Gender-Based Disparities, Investment Behavior, Age Influence

I. INTRODUCTION

The complex interactions between gender and age have a substantial impact on investment behavior in the fast-paced world of finance, influencing risk perceptions, strategies, and results (Holden et al., 2020). To acquire a comprehensive understanding of investment decision-making in modern society, it is essential to comprehend the complex dynamics of various demographic elements. Investigating the nuanced interactions between gender and age in investments becomes more important as society norms and demographics change.

Research repeatedly shows differences in risk tolerance, investment preferences, and overall financial engagement between men and women. Gender has long been recognized as a significant driver of financial behavior (Klapper et al., 2021). A further degree of complexity is added when age and gender are combined, as different investment profiles are produced as a result of generational influences, life stages, and gender dynamics.

In addition to individual preferences, psychological concepts and society conventions also have a significant impact on the financial environment (Holden et al., 2020). A lens through which to view the way individuals of all genders and ages perceive and react to investment dangers and possibilities is the behavioral economics framework, in particular prospect theory and behavioral biases. Furthermore, by influencing people's beliefs of their financial roles and capacities, societal norms, gender roles, and cultural expectations contribute to investment discrepancies.

In order to understand the complex interactions between gender and age in investment behavior, this study looks at the way these factors affect choices. This study intends to provide insights that can help financial organizations and policymakers develop ways to eliminate gender and age-based differences in investment participation and outcomes by exploring the psychological and sociocultural mechanisms at work (Klapper et al., 2021). In the end, this investigation helps to gain a deeper understanding of how to make investments in a changing financial environment. It also has the ability to promote financial inclusion and provide people of all ages and genders the power to make wise investment decisions.

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II. RATIONALE AND OBJECTIVE

The motivation behind this study is the need to fully comprehend the intertwining effects of gender and age on investment behavior, a subject that is becoming more and more important in today's financial environment (Klapper et al., 2021). It is crucial to identify the underlying causes of differences in investment decisions as society develops and demographic transformations take place. This research aims to offer practical insights for financial institutions, politicians, and researchers by examining the interaction of gender, age, and their psychological and sociological variables.

Objectives:

1. To uncover underlying psychological mechanisms driving gender and age-related disparities in investment behavior.
2. To examine the influence of societal norms, gender roles, and cultural expectations on investment decisions across diverse demographics.
3. To analyze how the interaction of gender and age influences investment choices and risk perception.
4. To propose actionable strategies for financial institutions and policymakers to address gender and age-based gaps in investment participation and outcomes.

III. METHODOLOGY

The data for this study will be gathered and analyzed utilizing a secondary research technique, with an emphasis on studies, reports, and datasets that have already been published and deal with the impact of age and gender on investment behavior. In order to thoroughly evaluate a variety of sources and to explore trends, patterns, and insights across various demographic groups, secondary research is a good choice for this project.

In order to acquire the necessary data, academic journals, business reports, market evaluations, and reliable sources like banks, research organizations, and governmental organizations will be used. To guarantee that the most recent and pertinent data is used, the research will give priority to studies published after 2017.

The collected information will be thoroughly examined and analyzed to find patterns in risk perception, investment preferences, and decision-making approaches across gender and age cohorts. These sources' statistical data, facts, and figures will be used to present empirical proof for the discovered trends and disparities.

The secondary research method has many benefits, such as effective data collecting, access to a variety of sources, and the capacity to draw on previous discoveries. This study seeks to offer a thorough overview of the complex interactions between gender and age in investment behavior by examining and synthesizing available data. Strategies for tackling gender and age-based gaps in the investment environment will be informed by the insights gained from this secondary research, which will help us understand the subject better (Pew Research Center, 2018).

IV. LITERATURE REVIEW

Gender-Based Disparities in Investment Behavior

The persistent discrepancies between men and women's risk tolerance, investing preferences, and financial outcomes have been recently highlighted by study, emphasizing these gender-based variances in investment behavior. Women typically display lower risk tolerance in their financial decisions than men do, according to a thorough review of data from the National Longitudinal Study of Adolescent to Adult Health. The Global Gender Gap Report of 2021 from the World Economic Forum supports this trend by underlining the significant impact of women's risk aversion on their investing decisions (Pew Research Center, 2018).

These discrepancies are shown even further by statistical evidence. Men are 1.3 times more likely than women to maintain portfolios that are solely comprised of equities, according to the "How America Saves" report from the Vanguard Group published in 2021 (Vanguard, 2021). This discrepancy in investment approaches highlights potential differences in financial outcomes over time in addition to reflecting varying risk tolerances. In addition, a 2019 UBS

study indicated that only 23% of the women respondent's expressed confidence in their financial expertise, compared to 45% of the men (UBS, 2023).

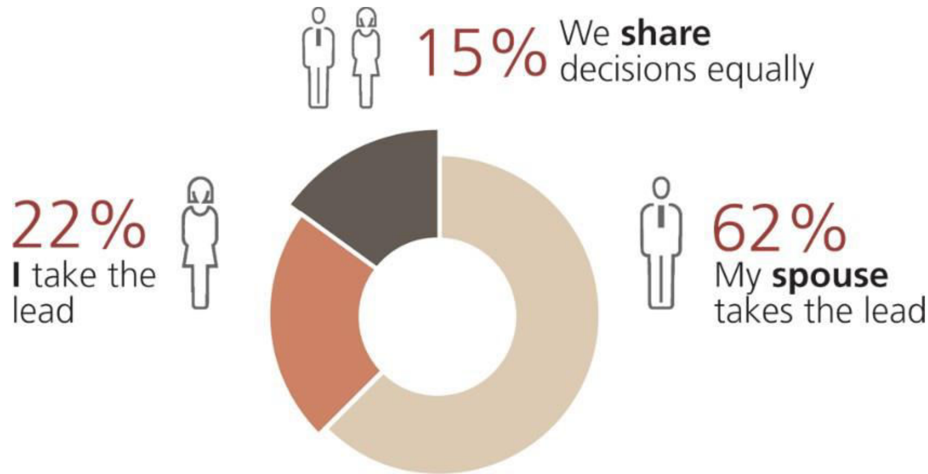

Figure: Role in long-term investment and financial planning decisions Source: (UBS, 2023)

These differences have many different psychological roots. Men frequently exhibit overconfidence biases, according to research, which makes them more willing to take greater investment risks (WealthSimple, 2018). Female investors, on the other hand, tend to be more cautious (Board of Governors of the Federal Reserve System, 2019). The differences in investment strategies and risk profiles between genders are a result of these psychological tendencies.

Other than psychology, social and cultural variables also have a big impact. Women commonly emphasize short-term financial security, which may affect their willingness to make risky investments, according to a recent study by the Center for Financial Services Innovation (PricewaterhouseCoopers, 2022). Additionally, major life events like marriage, having a kid, and taking on caregiving responsibilities can affect women's investment choices, which can disrupt financial planning and decision-making.

Age-Related Variation in Investment Choices

As stated by Board of Governors of the Federal Reserve System (2019), recent studies offer insightful information regarding how age affects people's investment behaviors by highlighting subtle differences in risk perception, investment objectives, and asset allocation between various age groups (Copeland, 2020). In a landmark study released in 2020, Fidelity examined investor behavior based on age cohorts and found that while younger investors tend to take on greater risk in exchange for potential long-term rewards, older investors adopt a more conservative stance (Fidelity, 2020). Data from the Federal Reserve's Survey of Consumer Finances, which revealed that those under 35 allocate a bigger portion of their portfolios to equities, serve as a further indication of this trend (Board of Governors of the Federal Reserve System, 2019).

Statistics support age-related inequalities even further. According to Vanguard's "How America Saves" study from 2021, 76% of investors in their 20s have all-equity portfolios, which are increasingly common (Vanguard, 2021). On the other hand, when investors approach retirement age, their asset allocation changes to favor more conservative investments like bonds and cash (Copeland, 2020). This is supported by information from the Employee Benefit Research Institute, which demonstrates that people aged 65 and older devote a sizable amount of their portfolios to fixed-income investments (Wilson, 2017).

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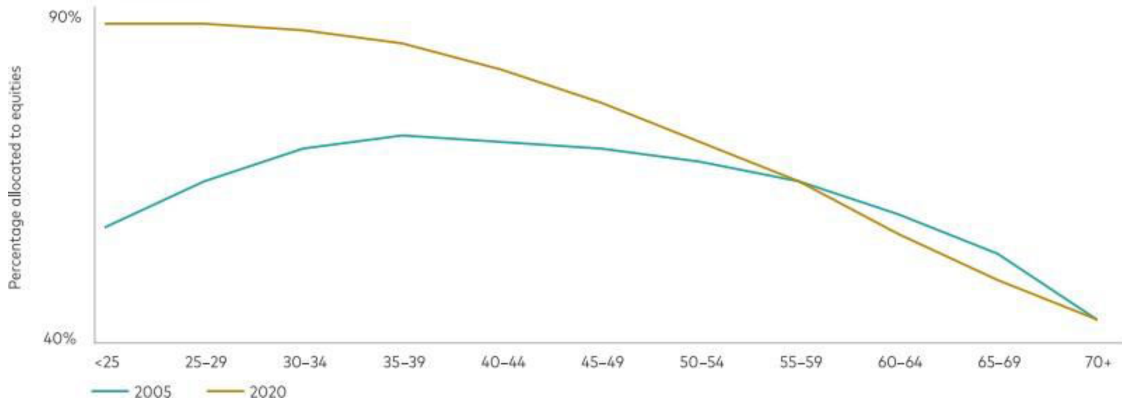

Figure: Average equity allocation participant-weighted Source: (Pew Research Center, 2018)

Equity allocation by age	<25	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65–69	70+
2020	88%	88%	87%	85%	81%	76%	70%	64%	56%	49%	43%
2019	88	88	87	85	81	76	70	64	56	49	43
2018	88	87	86	84	80	75	69	62	55	47	42
2017	88	87	86	84	81	76	71	64	57	50	43
2016	87	87	85	83	80	75	69	63	56	49	43
2015	88	87	85	83	80	75	70	64	57	50	43
2014	87	86	84	82	79	75	70	64	57	51	45
2013	85	83	80	79	76	73	68	63	56	51	44
2012	85	81	78	76	74	70	65	59	53	48	41
2011	84	79	76	75	73	69	64	59	52	48	40
2010	82	77	75	75	73	70	66	60	54	49	41
2009	77	73	72	72	71	68	64	58	53	48	40
2008	73	70	70	71	69	66	62	57	52	47	39
2007	67	69	72	73	72	70	68	63	59	54	44
2006	61	66	70	72	71	70	67	64	59	54	44
2005	57	64	69	71	70	69	67	64	59	53	43

Figure: Equity allocation by age Source: (Pew Research Center, 2018)

Also noteworthy are differences in investment goals according to age. According to the Pew Research Center's 2022 research, younger generations place a higher priority on retirement savings and healthcare expenditures than older generations do on emergency savings and debt repayment (Pew Research Center, 2018). Across all age groups, these differences have an impact on risk tolerance and investment choices.

These variances are influenced by life phases and impacts from previous generations. The importance of generational features in investment decisions was clarified by a thorough study conducted by BlackRock in 2021 (BlackRock, 2021). For instance, due to their ideals and understanding of social and environmental issues, millennials are more inclined to favor sustainable investing. This is consistent with more general socioeconomic changes and rising environmental consciousness (BlackRock, 2021).

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Interaction of Gender and Age in Investment Decision-Making

According to PricewaterhouseCoopers (2022), a complex link that affects risk perception, investing methods, and financial consequences results from the complex interactions between gender and age, which have a substantial impact on investment behavior. The combination of these demographic characteristics is clearly important in determining investment choices when data from BlackRock's 2021 Global Investor Pulse Survey is analyzed (BlackRock, 2021). According to this survey, whereas women across all age groups tend to be risk-averse relative to males, this disparity reduces among younger cohorts, indicating a dynamic relationship.

Statistical evidence emphasizes these distinctions even further. In comparison to other generations, the poll found that among millennials, the gender gap in risk tolerance is smaller (Pew Research Center, 2018). Women are more likely to engage in investment activities in this younger group, and their investment preferences tend to be more similar to those of their male counterparts.

Intriguingly, the interactions between gender and age result in both synergies and conflicts. In spite of the fact that women are typically less risk-averse than males across all age groups, according to a 2018 study published in the Journal of Behavioral and Experimental Finance, this difference becomes less pronounced when taking into account those with higher financial knowledge (Wilson, 2017). This indicates that the difference in risk perception between men and women may be lessened through financial education (PricewaterhouseCoopers, 2022).

Gender can also have an impact on the relationship between age and investment preferences. According to a research of investment attitudes by the National Bureau of Economic Research, women consistently adopt a risk-averse mindset throughout their investing careers, in contrast to older men who tend to grow more conservative as they get closer to retirement age (Wilson, 2017). Couples that decide to invest together but have different risk preferences may encounter problems as a result of this relationship.

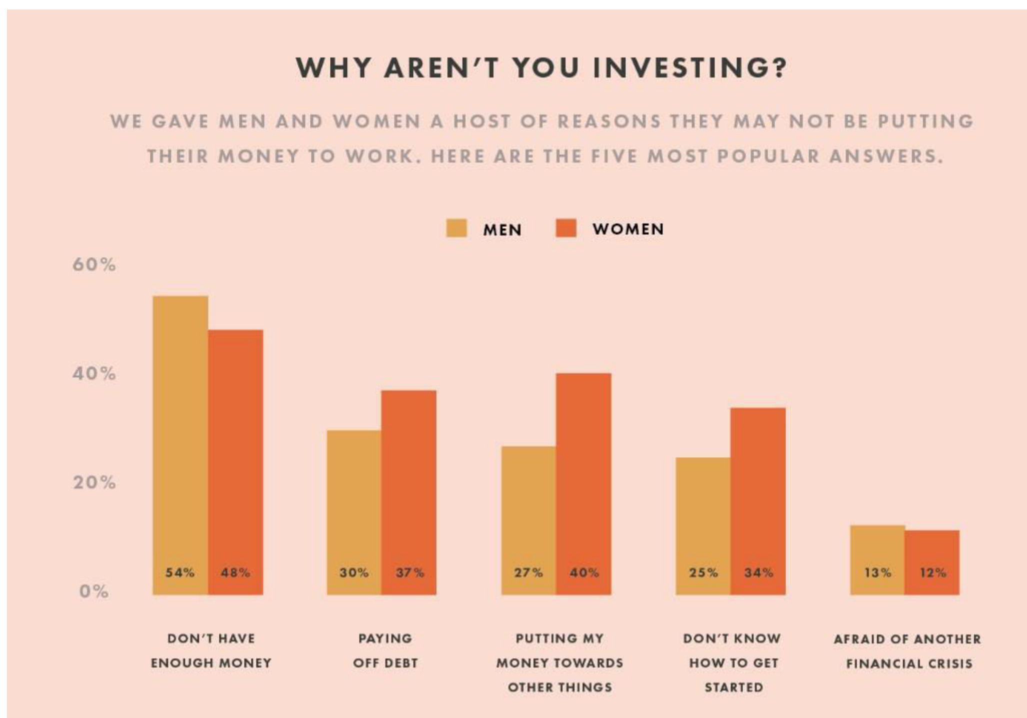

Figure: Reason behind not making investment Source: (Schwab, 2022)

Financial industry practices will be significantly impacted by the inclusion of gender and age in investing decisions. In 2022, McKinsey & Company published research that emphasized the need for individualized financial guidance as well as the significance of recognizing that various factors interact in a complicated way (McKinsey & Company,

2020). The ability to customize investment advice and strategies to satisfy the various needs and preferences of investors depends on the ability to recognize the synergies and conflicts that result from this interaction.

Psychological and Societal Mechanisms

Untangling the effects of gender and age on investing decisions requires an understanding of the complex interplay between psychological theories and cultural influences. The gender gap in risk tolerance can be understood via the lens of prospect theory, as developed by Kahneman and Tversky (Pew Research Center, 2018). According to research conducted in 2001 by Barber and Odean, men exhibit overconfidence biases more frequently than women do, which causes them to engage in riskier investments. This supports the prospect theory's claim that people's investing preferences are influenced by their propensity to avoid future losses more than to seek out potential benefits (World Bank, 2018).

Additionally causing these discrepancies are behavioral biases. The confirmation bias, which occurs when people look for information to support their preexisting ideas, can magnify gender and age variations in investment preferences. According to a 2017 study in the Journal of Economic Psychology, women frequently seek professional guidance, potentially lessening the impact of this prejudice. Men may, however, have higher levels of self-assurance and be more prone to confirmation bias (World Bank, 2018).

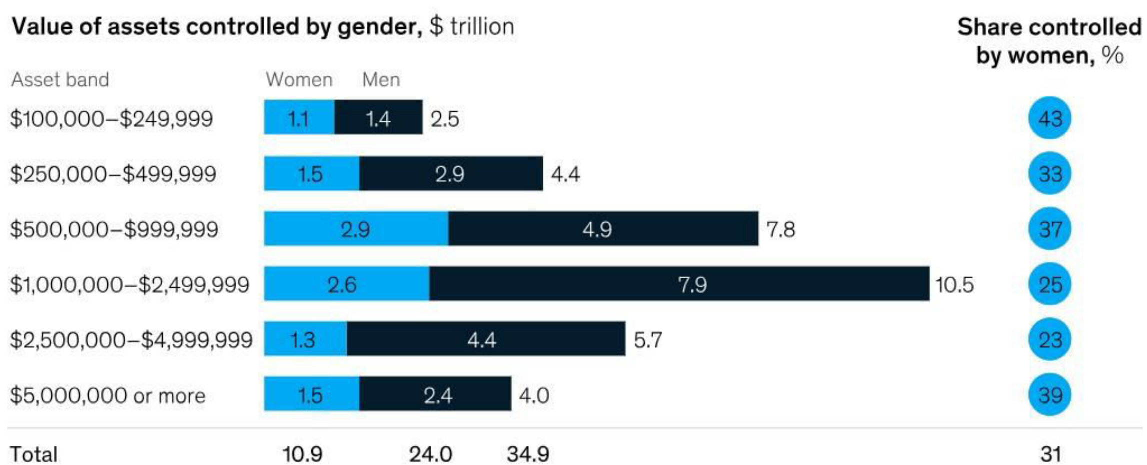

Figure: Women in the US control $10.9 trillion in assets Source: (Lobão & Maio, 2019)

The expectations of society and culture are important. Socialization of women as risk-averse and less financially confident might result from gender norms that are reinforced by society narratives (Lobão & Maio, 2019). This is supported by a 2021 survey from Fidelity, which found that only 67% of women feel comfortable managing assets, compared to 80% of men (Fidelity, 2020). Further influencing investment opportunities and decisions are social pressures on women to choose childcare over job growth.

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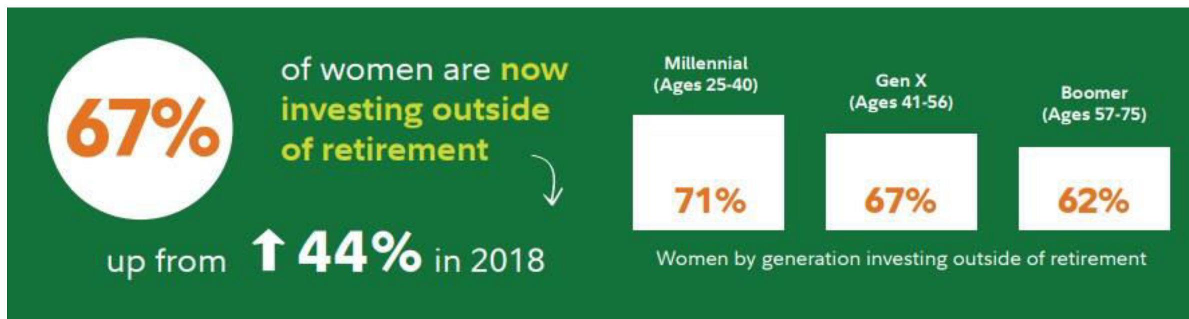

Figure: More women than ever are taking a seat at the investing table Source: (Vanguard, 2021)

Investment behaviors are also influenced by cultural circumstances. An investigation into the way cultural factors affect investment choices internationally was published in the Review of Economics and Statistics in 2019. According to Hofstede's cultural aspects theory, risk perception and investment decisions may be influenced by social values such as individualism, avoiding ambiguity, and long-term thinking. A complicated web of influences is produced when these characteristics interact with gender and age (Lobão & Maio, 2019).

Between gender and age groups, cognitive biases behave differently. While both men and women have behavioral biases, the kinds of biases they exhibit can differ, according to a 2018 study published in the Journal of Behavioral and Experimental Finance (World Bank, 2018). For example, men often show higher overconfidence biases, whereas women could show more aversion to uncertainty.

Implications for Financial Services and Policy

Financial institutions and governments will benefit significantly from understanding how gender and age affect investment behavior. Customized methods to eliminate investment gaps and improve financial inclusion can be developed by analyzing the varied dynamics (Fidelity Investments, 2021). These conclusions are supported by recent evidence, which further emphasizes the need that it is to resolve these inequities.

As stated by Schwab (2022), the creation of investment products that suit various risk profiles and preferences can be done by financial institutions through using these data. According to a McKinsey & Company analysis from 2022, women are responsible for a sizable percentage of the world's wealth, and knowing their specific tastes can help businesses target their goods more effectively (McKinsey & Company, 2020). According to research conducted by Fidelity in 2020, there may be a market for educational programs among women who are interested in learning about investing (Fidelity, 2020).

In order to advance financial literacy and close investment gaps, policymakers must take action. According to a 2018 study by the National Bureau of Economic Research, those who obtain financial education are more likely to start saving for retirement and to accumulate more wealth (Pew Research Center, 2018). This emphasizes the requirement for including financial education in textbooks and workplace initiatives.

There are numerous possible approaches to closing the investment inequalities caused by gender and age. It is crucial to provide financial education that is gender-sensitive. According to the Global Findex database of the World Bank, women are 7% less likely than males to own a mobile phone, which can be used to spread financial literacy (Klapper et al., 2021). Women's financial empowerment can result from closing the digital divide.

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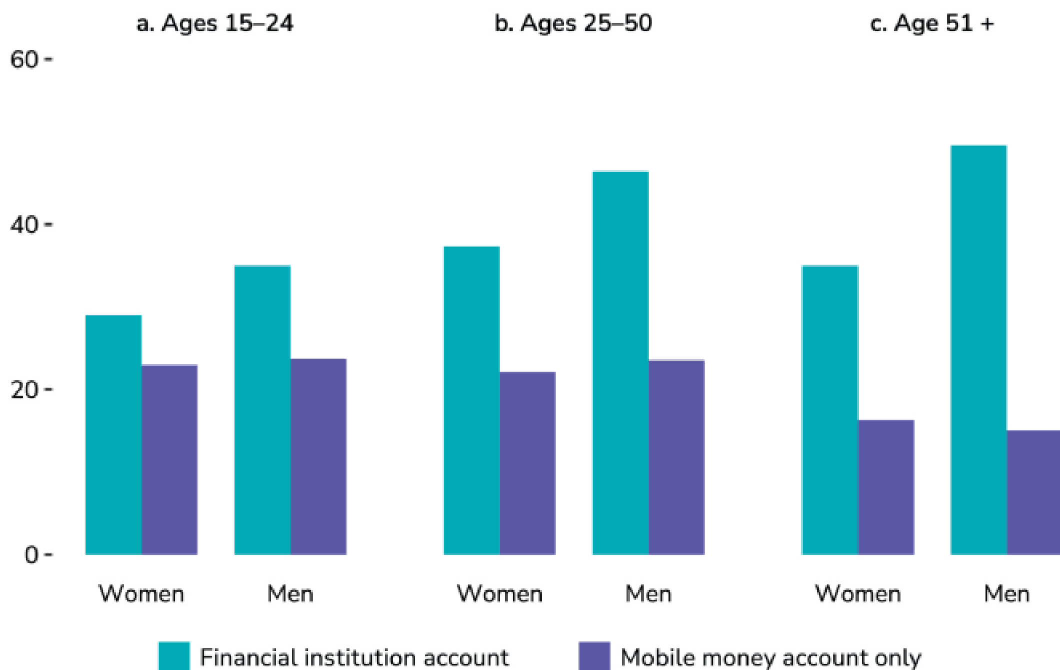

Figure: Men and women in Sub-Saharan Africa are equally likely to use only a mobile money account Source: (Klapper et al., 2021)

Furthermore, delivering investment advisory services that are targeted to various life stages can improve outcomes. According to the Vanguard 2021 research, individuals are more likely to make wise investing decisions when given tailored counsel (Vanguard, 2021). Advisors can better direct investors by taking into account age-related goals and risk tolerances.

Customized strategies have had encouraging results. Personal investment advice enhanced participation and improved portfolio diversification, according to a 2021 study that was published in the Journal of Banking & Finance. These tactics can make the financial landscape more inclusive and reduce investment inequities.

V. CONCLUSION

In conclusion, a complex range of cybersecurity threats coexist with the transformational promise of cloud computing. It is crucial to recognise and deal with these difficulties because businesses are relying more and more on cloud infrastructure. Businesses may protect their digital assets from data breaches, malware attacks, DoS incidents, insider threats, and other developing risks by being aware of the vulnerabilities in cloud systems and implementing proactive mitigation techniques. A resilient cloud security posture must be established by implementing encryption, strong access controls, ongoing monitoring, proactive patch management, and thorough employee training. Organisations will be able to take advantage of cloud computing while protecting their sensitive data and guaranteeing the continuity of their operations if they maintain an unwavering commitment to staying informed, adapting to new threats, and prioritising cybersecurity measures.

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