



# Pioneer Bank & Trust

## Trust & Investments

### Local.

704 7th Ave, PO Box 729  
Belle Fourche, SD 57717-0729  
Phone (605) 892-3494  
Fax (605) 892-2115

2001 W Omaha St, PO Box 9189  
Rapid City, SD 57709-9189  
Phone (605) 341-2265  
Fax (605) 341-7425

140 E Jackson Blvd, PO Box 10  
Spearfish, SD 57783-0010  
Phone (605) 642-2725  
Fax (605) 642-1736

## Women and money

One enduring theme of the last half-century is that stereotypes about “women’s work” and “men’s work” generally are unproductive. The sexes have equal intellectual capacities, and associating gender with occupation is particularly unhelpful, both for individuals seeking to make the most of their talents and for society at large.

One naturally might assume that today’s financial and investment guides would be addressed to both sexes on equal terms. That assumption, though generally correct, has its exceptions. A visit to the local library or the personal finance section of any bookstore will reveal a variety of titles aimed specifically at women. This is mostly savvy marketing, but there may be a grain of truth to the idea that men and women approach money management issues differently.

### Special roadblocks

A recurring theme of these books is that a great many successful, professional women are, almost inexplicably, not doing a very good job with their personal finances. They have some hidden factor that prevents them from taking control of this key element of their lives. It could be fear of the unknown. Others could be rebelling against being stretched too thin, being asked to fulfill too many disparate roles in the home and the workplace. Then there is the phenomenon of letting things get so far out of hand that one is embarrassed to ask for help and reveal just how much one doesn’t know. That can be particularly painful for one who is otherwise successful.

The hardest part of financial planning is getting started. Financial self-help books offers readers (men as well as women) an engaging way to get over that first hurdle. They are only a starting point, not a solution.

### Investing

According to serious academic research, women do make better investors than men. This empirical observation was made by two finance professors, Brad M. Barber and Terrance Odean, in their article, “Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investments.”

The professors were granted access to the trading records of a large discount brokerage firm. Over a six-year period, they discovered that:

- Men trade 45% more than women do.
- Excessive trading leads to excessive costs, which are not offset by higher returns. Trading reduced net return for the men by 2.65 percentage points, and their lesser trading volume reduced women’s net returns by only 1.72 percentage points.
- Single men trade 67% more than single women do, reducing their returns by 1.44 percentage points more than the returns of the ladies.

What accounts for the relatively poorer showing of the men? Overconfidence is the most likely culprit, the professors theorize. Overconfidence leads to both excessive trading volume and poor stock selection. A second fact may be fear of regret, which causes investors to hold on to their losers longer than they should. Both sexes were guilty of trading more than necessary, in the professors’ opinion, and both sexes were guilty of being underdiversified.

Although the men may have had their deficiencies, there were many more men in the study than women. Among singles, the men outnumber women by three to one, and in the married couples, the men handled the investing by over four to one.

### Get trusted professional help

How does one choose a financial or investment advisor? First, find someone who listens. You don’t want to be herded into a prepackaged investment “solution.” You need a plan tailored to your individual resources and requirements.

Experience is important, as are credentials and training. We recommend employing a team approach, as occurs with our trust department. When you turn to an institution such as ours, you have continuous availability and supervision of your account.

The compensation plan is also important. We are compensated on a fee basis for our investment advice and management, based upon the size of the client portfolio in our care. We do not get commissions from trading; we have no hidden sales agendas. Our compensation puts us on the same side as the client; our fees don’t go up unless the client prospers.

If you would like to learn more about our services for affluent women (and men), please make an appointment to meet with one of our officers at your convenience.

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