Explanations and Implications of Gender Differences in Asset Portfolio Diversity

Siobhan Austen
Curtin University, Australia

Therese Jefferson
Curtin University, Australia

Rachel Ong
Curtin University

Several country studies have identified substantial gender wealth gaps and produced evidence of differences in the diversity of the asset portfolios of men and women (e.g. Schmidt & Sevak 2006, Sierminksa, Frick & Grabka 2010). In Australia, women's asset portfolios typically feature a much lower level of diversity than men's and are commonly dominated by primary home assets. Men comprise the majority of high net wealth individuals in Australia and their asset portfolios feature relative high shares of business, other property and superannuation (or pension) assets.

This paper will explore the links between asset portfolio diversity and the gender wealth gap. The relatively low diversity of women's asset portfolios implies they are more exposed to changes in rates of return on a single class of assets than their male counterparts. Furthermore, their relatively low rate of participation in financial investments beyond the primary home may be limiting their ability to accumulate wealth, contributing to the gender gap in wealth.

The paper will make use of two wealth modules from the large nationally representative survey of Australian households, the Household, Income and Labour Dynamics in Australia (HILDA) survey. These modules were conducted in 2006 and 2009, furnishing an extensive range of data on the assets and debts of Australian households. We will use the longitudinal data on wealth that is now available through HILDA data to examine gender differences in portfolio diversity over time and the way in which this relates to changes in portfolio value. This will provide new evidence on the importance of gender differences in investment strategies to gender inequality in wealth.

The paper will also examine the possible reasons for gender differences in portfolio diversity and discuss their significance for policy on gender wealth gaps. Some studies have suggested that women are relatively risk averse in their investment strategies (e.g. Bernasek & Schwiff 2001). However, other studies indicate that the explanatory power of risk aversion is reduced when specific features of women's social context are taken into account, such the influence of workplace peer groups and ease of access to relevant information (e.g. Duflo & Saez 2002). We will discuss the policy implications of our findings on gender differences in asset portfolios with reference to these alternative explanations of women's strategies and opportunities around wealth accumulation.

References:

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