PROBLEM

- Women are not investing in the stock market because they are underconfident.

CONFIDENCE & INVESTING

- Overconfidence leads to trading more, making less
- Underconfidence leads to loss aversion and unwillingness to enter into and stick with long-term investing

Why Women Should Invest

- longer life span
- wage gap
- social reasons

INVESTING SUCCESS
GAPS IN APPROACHES

{ $$$ }

Education

Capital

Behavior

Wednesday, May 9, 2012
GAPS IN APPROACHES

{\$\$\$\$\$}

Education

Capital

Behavior
Behavior is complex

Confidence

- Confidence = Action + Trust in yourself

100% Behavior

Stereotype threat

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Behavior is complex

Confidence

Competition

Aversion

Stereotype threat

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Iterative Approach

Problem

Literature Research

Field-based Research

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What is Confidence?
What is Confidence?

WHERE ARE WOMEN?

WHERE ARE MEN?

"I would like to be supported, not by a man, but maybe by working animals—say a troupe of tigers working in the circus, or two racehorses, or a dog who's landed a sitcom."
“Big decisions, I generally have an initial hypothesis, like a gut feeling, but then I go and solicit data.”
— Nadia

“I'm much more intuitive worker and I more— let me sleep on it, I'm sure I'll have an answer in the morning, what I always do.”
— Jessica
**Interviews**

1. **Intuition**

   “Big decisions, I generally have an initial hypothesis, like a gut feeling, but then I go and solicit data.”
   — Nadia

   “I'm much more intuitive worker and I more– let me sleep on it, I'm sure I'll have an answer in the morning, what I always do.”
   — Jessica

2. **Emotional Detachment**

   “I do spend quite a bit of time digging into a lot of the literature [...] but then spending a lot of time kind of divorcing myself from them and saying if I am an independent observer...”
   — Grace

   “I talk through the importance of compartmentalizing [...] you imagine yourself putting it in a [mental] box and closing it and putting aside”
   — Joy
Our Model

Confidence ↔ Intuition

Detachment
Detachment

Photo by Chris Gin

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CAN IT BE SCALED?

GirlFunds

Confidence is Essential in Investing

One path to confidence is through emotional detachment. Emotional detachment is the ability to separate emotions from the outcome you are trying to reach, and that makes it easier to make decisions and act on them in uncertain situations, like in investing. Try out our tool.

Start
“Our Experiment”

- **Goal:** Emotional Detachment
- **Testing:** Detachment Scalability via Technology
- **Inspired by:** Cognitive Behavioral Therapy & De-Fusion Technique
“OUR EXPERIMENT”

1. Baseline

2. Negative Priming

3. Mood Evaluation

Summary

4. Positive Priming

5. Mood Evaluation
Register to Use the Tool

Please enter your email and password so we can save your results:

Name
Email
Password
Gender

By registering up, you agree to the Privacy Policy.

Cancel Agree & Register
Think of a Cloud

Listen to the audio:

Or read the audio text:
Sit comfortably on a chair, close your eyes and imagine warm light gently surrounding you. Now, imagine a cloud about 3 feet away from you. Think of all your negative thoughts and everything that gives you pain or anxiety. Place all these negative thoughts and anxiety into this cloud. With the pleasant feeling of warm light surrounding you, imagine the cloud gradually floating away from you until it becomes a tiny dot. Take your time and if the cloud is not drifting away, try to put all the things that bothers you into the cloud again. When you are ready, gradually open your eyes and look around you.

Done!
Breathing Exercise

You are going to breathe in and out using your nose. Take a few breaths and try to make the exhale longer than the inhale.

Take a breath and breathe out very slowly. Repeat this breathing cycle at least 5 times or until you feel a sense of relaxation.

Done!
Results

• 83.3% users calibrated their emotional state after using the tool.
Final Thoughts

Confidence ⟷ Intuition

Detachment
THANK YOU!

To try our tool visit: www.girlfunds.org
Data Sources Used in This Presentation:

EMOTIONAL DETACHMENT

Screenshots
Tell Your Story

Think of an issue that you care about and value very much. For example, it could be related to your career, personal relationships, family or profound financial issues.

Name it

Describe it

Now, imagine this issue turns out badly. For example, it fails, you lose it, or it goes wrong. Take a moment or two to think what this experience would feel like.

Describe how you feel right now.

Done!
Pick 4-5 words that best describe how you feel right now (click to select).

- surprised
- hope
- delighted
- daring
- reinforced
- balance
- blessed
- optimistic
- disillusioned
- untrusting
- dominated
- sad
- doubtful
- bashful
- constrained
- parity
- inspired
- considerate
- happy
- secure
- bitter
- frustrated
- encouraged
- excited

Done!
Your Alternatives

Think again of the important issue you described previously. Now, think of 3 alternative actions that you could take in the event that it goes wrong or not as planned. It could be a series of actions you could take or alternative plans that you could choose from.

1.  
2.  
3.  

Done!
Think of a Cloud

Listen to the audio:

[Audio]

Or read the audio text:
Sit comfortably on a chair, close your eyes and imagine warm light gently surrounding you. Now, imagine a cloud about 3 feet away from you. Think of all your negative thoughts and everything that gives you pain or anxiety. Place all these negative thoughts and anxiety into this cloud. With the pleasant feeling of warm light surrounding you, imagine the cloud gradually floating away from you until it becomes a tiny dot. Take your time and if the cloud is not drifting away, try to put all the things that bothers you into the cloud again. When you are ready, gradually open your eyes and look around you.

Done!
Breathing Exercise

You are going to breathe in and out using your nose. Take a few breaths and try to make the exhale longer than the inhale.

Take a breath and breathe out very slowly. Repeat this breathing cycle at least 5 times or until you feel a sense of relaxation.

Done!
You finished all the exercises!

Please describe how you feel at this moment.

Please provide any feedback about this tool.

See Results
Summary of your results.

A high percentage of negative words signals a distressed or frustrated mood. If you have more positive words, you are in an optimistic or positive mood. Neutral words indicate a balanced or nonchalant mood. The distribution of negative, positive, and neutral words should change upon each priming.

How does this tool work?

Baseline:

Your baseline state is calculated by counting the positive, negative and neutral words that you chose at the beginning of the tool. You can see this under the Baseline graph.

Negative Priming:

In this stage, you describe the issue that you are troubled with. You are also asked to confront issue failure and pick words that you associate with this failure. The negative priming is necessary to calibrate any overconfidence. It had been shown in numerous studies that thinking about failure lowers overconfidence. Furthermore,
INVESTING RATES

• 45% of the 62 million waged and salaried working women contributed to a retirement plan

• 59 percent of women report they are currently saving for retirement compared with 70 percent of men

• 14 percent of women say they are confident they will have enough money to live comfortably throughout retirement vs 23 percent of men say they are confident they will have enough money to live comfortably throughout retirement

• 28 percent of women say they are confident they will have enough money to take care of basic expenses in retirement vs 40 percent of men say they are confident they will have enough money to take care of basic expenses in retirement

Data Sources:
2-4: Employee Benefit Research Institute, May 12, 2008
Figure 3
Progress in Planning and Saving for Retirement

Market Returns

Annualised Return of the S&P 500 Index (30 Year Investment)

from Saving and Investing by Michael Fischer
MARKET RETURNS

RANGE OF ANNUAL RETURNS ON COMMON STOCKS
FOR VARIOUS TIME PERIODS, 1950—2002

The ● represents the average of the annual returns for various periods.

from The Random Walk Guide to Investing by Burton Malkiel
“Even during the worst 25-year period you would have earned a rate of return of almost 8 percent — a quite generous return and one that was larger than the long-run average return from relatively safe bonds. This is why stocks are a wholly appropriate medium for investing in long-term retirement funds.”

— Burton Malkiel, Professor of Economics, Princeton University /Director of Vanguard Group.
WAGE GAP

Employment and median usual weekly earnings of women, by industry, 2009

Source: U.S. Bureau of Labor Statistics
SOCIAL REASONS

• The prime earning years that women sit out of the workforce for reasons such as child bearing, child rearing and family care.

• Over time, women who have had children exchange flexibility in working hours for lower pay and lower prospects

(Meyer, 1990)
Behavioral Reasons

- Gender differences in decision making are not simply the product of chronic cognitive representations, or innate factors. Rather, people under threat assess risk and loss particularly negatively, which only increases loss aversion and risk-aversion behaviors. Therefore negative, gender based stereotypes affect decisions made about financial investments (e.g., whether to invest in a risky but lucrative fund).

(Carr & Steele, 2010)