

Testosterone's Role in Investing Decisions

By [Kimberly Palmer](#)

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The debate over the ways that men and women handle money differently just got more complicated. Research generally suggests that men take more risks with their money while women play it safer, which means men may earn higher returns over time but also are at greater risk during downturns. But [Yahoo's Laura Rowley reports](#) that a new study from the University of Chicago and Northwestern suggests that not all women fall into that risk-averse category. Specifically, women who have higher levels of testosterone appear to take bigger risks.

The researchers looked at the career choices of MBA [students](#) at both schools. They found that men were more likely to choose riskier careers in finance than their female counterparts. Graduates in those fields earn more money, but they're also more likely to face [unemployment](#). The study also asked students to play a computer game where they chose whether to receive a guaranteed dollar amount or to try and get more money by taking greater risks. Hormone levels in the participants' saliva were also measured.

The surprise findings? Gender had less to do with the participants' career and computer game choices than testosterone levels. Women with high levels of testosterone took big risks, while men with low testosterone avoided risk. Because most women—some 90 percent—and only one in three men have low testosterone levels, risk aversion does tend to break down along gender lines, but testosterone levels appear to be a much more precise predictor of a person's choices.

So, what are the practical implications? Currently, financial advisors aware of the gender differences in investing risk may encourage their female clients to consider taking on more risk and their male clients to make safer bets. But perhaps instead of just looking at gender, they should ask clients if they'd like to provide a sample of their saliva for hormonal [testing](#) before making their recommendations.

Somehow, I can't see that happening.

<http://www.usnews.com/money/blogs/alpha-consumer/2009/08/28/testosterones-role-in-investing-decisions.html>