

Money, Sex and Your Personality Type

By Kay Paumier

Highly paid executives, even millionaires, go bankrupt. Baby boomers are unable to retire. Record rates of foreclosures are reported.

Unfortunately, many people do not handle money effectively. But why? Laziness? Ignorance? Apathy? Fear?

Can so many people really be so inept at handling money? Or is there something else? Do other factors, such as personality type and gender, also play a role?

The question is an intriguing one. Two studies have been conducted on psychological types and money.

Wealthy Types Research

The first studied the relationship of both personality types and gender to feelings, attitudes and behaviors involving money. The "Wealthy Types" research, which was conducted by The Selby Group of San Francisco, found a high correlation between both a person's personality type and gender and his or her relationship with money. At the time of this writing, 438 people had participated in the ongoing survey, 59 percent women and 41 percent men.

This survey found that based on the Myers-Briggs Type Indicator® (MBTI®) two personality types are especially relevant to personal financial management: the Judging and Perceiving, and Thinking and Feeling types.

A refresher. The MBTI® test helps identify personality types in four categories: Extrovert (E) or Introvert (I), Sensing (S) or Intuiting (N), Thinking (T) or Feeling (F) and Judging (J) or Perceiving (P). (See *A Myers-Briggs Review*.)

Don't know your type? To take the Myers-Briggs assessment and get a personal interpretation by a qualified practitioner. Go to www.sclbygroup.com, www.ColorQProfiles.com, or www.myersbriggs.org.

As of this writing, you can't just take the official Myers-Briggs assessment and view your results online. There are some "unofficial" personality tests based on the Myers-Briggs topology online.

The Judging types of both genders are more interested in and more savvy about managing their finances. They actually enjoy managing their finances more, and are better diversified in their investments, than the Perceiving types.

The Feeling group is less likely to own a home, have a brokerage account or measure their progress. This is disconcerting because the Feeling group is slightly older than the

Thinking group. More than 42 percent of them are older than 50, compared to 28 percent of the Thinking group.

However, the study overall found significant gender differences. Men are more willing to take risks and accept failures and more likely to manage their finances independently. Women are more likely to feel overwhelmed and either ignore their finances or seek help (although they do not necessarily trust professional advisers).

But, according to this survey, gender and type together have the biggest impact, especially when it comes to Perceiving women. Thirty-two percent ignore their finances, and 44 percent live in denial, believing that they are “too busy” to deal with finances. More than 40 percent are overwhelmed by all they don't know and more than a third are bored with the process.

This group is in trouble. Perceiving women have among the lowest incomes, participation rate in all types of investments and net worth. And they are running out of time. Perceiving women are the oldest group in the study; 12 percent of them are 60 or over.

And women in general have a more difficult time financially than men. According to the National Center for Women and Retirement Research, women's retirement benefits are typically only about one-quarter those of men. The Center also found that the average woman born between 1948 and 1964 will likely remain in the workforce until at least 74 years of age, due to inadequate savings and pension coverage.

According to Morningstar Fund Investor, three out of four elderly living in poverty are women and 80 percent of them were not poor while their husbands were alive.

Why such a discrepancy in gender? “I believe too many women have absorbed the notion that money management is 'men's work,’” said Jennifer Selby, developer of the Wealthy Types study. “Women's media give advice on how to spend money, while nearly all financial books are written by men, and business publications often feature male CEOs on their covers.”

Type and Money

The second study was conducted by Shoya Zichy, a New York City seminar leader and author, who since 1996 has been researching the link between these personality types and financial choices.

“Money is way more complicated than most topics because it is such a focal point of society,” said Zichy. “We can't live without it and it determines so much of our experience and self-concept. It behooves us to pay attention.”

Zichy, who spent 15 years at Citibank, Merrill Lynch and American Express, has surveyed more than 1,400 “financially sophisticated” people, examining how personality

preferences impact their tolerance for risk and volatility, approach to asset allocation, investment choices and a host of other issues.

Zichy found that personality type has the highest impact on risk tolerance, the financial planning process and interest in investment issues. Type has less impact on the actual choice of investments such as stocks and bonds.

Specifically, Zichy found that the Structured people are more risk averse than Adaptable ones. However, the Structured people often end up with more money because they start saving earlier, do their homework and are consistent.

The highest risk takers, by a large margin, are the Extrovert Adaptables. They are more than twice as likely to take a financial risk than the Introverted Structured people. Indeed, Zichy found that the Extroverted Adaptables are generally the most comfortable with financial risk and volatility.

She also found that interest in financial matters is heavily determined by the Thinking-Feeling component. Thinkers are typically paid at their level or higher. Feelers are typically underpaid. This is significant because 65 percent of women are Feelers. (Fortunately, Zichy's new book, "Career Match," includes a chapter on negotiation that might help Feelers.)

"Personality types are natural inclinations, just different ways of reaching a goal," said Zichy. "If you understand yourself, you can reduce your stress and increase your confidence around the topic of money."

"The more you know about yourself, the more you can do something well and the more you can play to your strengths."

Zichy also found some interesting gender differences, which suggest that men are more willing to take financial risks than women. Men are more apt to use investments to build wealth rather than to just provide security.

Men also are more likely to buy a higher return, volatile investment than a consistent investment with lower return. And women are more apt to select mutual funds than individual stocks.

The Reality

On the flip side, studies show that, in many ways, women are good with money and with investing. Terrance Odean, professor at the University of California-Davis, found that women get 1.4 percent better returns on their investments than men.

Merrill Lynch Investment Managers found that women were only about half as likely as men to buy a "hot" investment without researching it first. Only 47 percent of women might make the same investment mistake more than once versus 63 percent of men.

And only 35 percent of women hold onto a losing investment for “too long” compared to 47 percent of the men.

And, not to start a gender war, men may overrate their expertise. When New York Life surveyed 1,002 retirees and pre-retirees about retirement issues, men gave themselves higher ratings than the women. Most of them said they understood inflation's impact on spending power, knew the amount of savings needed to retire comfortably and to fund retirement beyond age 85.

More than 71 percent of these men also said they knew how much they could safely withdraw from their retirement savings each year. However, nearly half the men responding thought they could spend 10 percent of their assets each year, while another third thought 5 to 7 percent was appropriate. In fact, the recommendation is 4 percent the first year, increasing that amount for inflation each year after that.

In short, perception is not always reality. “Money does not have a gender or a type,” said Selby.

To take part in the Wealthy Types research, go to www.surveymonkey.com/s.asp?u=660332856288. To get a free copy of the preliminary findings of the survey, e-mail info@selbygroup.com.

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A Myers-Briggs Review

Myers-Briggs Type Indicator® (MBTI®) was developed by Isabel Myers and Katherine Briggs to try and understand the differences and similarities in human personalities. The test is based on the work of Carl Jung, a Swiss psychologist who believed that personality traits are innate. Each year, more than one million people take the MBTI, which analyzes people by these four ranges of personality traits.

Thinking-Feeling: This range focuses on how people make decisions. Thinking (T) people prefer to decide on the basis of logic, analysis and reason. They tend to follow their head rather than their heart, whereas Feeling (F) people usually decide first on the basis of personal preferences, second, on the basis of logic.

Judging-Perceiving: This range suggests the type of lifestyle and work habits people prefer. Perceiving (P) types are more spontaneous and seek out additional information and options. Judging (J) types tend to be planners, preferring more order and structure.

Sensing-Intuition: This describes how people take in information. Sensing (S) people prefer concrete facts, organization and structure. Intuitive (N) people tend more to hunches. They want to know the theory first before deciding what facts are important.

Extrovert-Introvert: This category focuses on how people get their energy. Extroverts (E) are more energized by interaction with others, Introverts (I) by the inner world of reflection, thought and contemplation.

What You Can Do

The good news is that regardless of your personality type or gender, you can dramatically improve your financial situation fairly easily.

Attend at least one seminar on financial planning for retirement. A 2004 study by Annamaria Lusardi, professor of economics at Dartmouth, found that those who had attended retirement seminars had a 20 percent increase in net worth. Interestingly, those with the least amount of money and education seem to get the most from the events.

Do “a lot” of retirement planning. In a separate study, Lusardi teamed up with Olivia-Mitchell, professor of insurance and risk management at the University of Pennsylvania and executive director of the Pension Research Council, to analyze how much retirement planning people had done. Those who said they had done “a lot” of planning had a net worth of \$200,000 compared to \$84,000 for those who said they had done “hardly at all.”

Learn to calculate simple compound interest. Lusardi and Mitchell also found that those who grasped compound interest had a median net worth of \$309,000 compared to \$116,000 for those who missed the question.

Make a plan. Virtually all financial gurus recommend making a plan, reviewing it at least annually, and adjusting it accordingly.

Do not count on your home to protect you. According to research by Lusardi and Mitchell, the typical older boomer (ages 51 to 56) household has nearly 50 percent of its \$110,000 net worth in home equity. This is frightening because, despite reverse mortgages and home equity lines, it is difficult to live off your house. If housing prices reverted just to 2002 levels, the older boomer household would lose 13 percent-of the total value in the home.

Set a budget. John Ameriks, a senior investment analyst at Vanguard, looked at the relationship between budgets and net worth. Not surprisingly, he found that budgeting is closely linked to greater wealth. It seems too obvious to mention, but how much money you make matters less than how much you spend.