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Transforming your financial future

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Merrill Lynch Investment Managers (MLIM) Survey Finds:

WHEN IT COMES TO INVESTING, GENDER A STRONG INFLUENCE ON BEHAVIOR

As Investors, Women Less Knowledgeable and Interested than Men, But Make Fewer Mistakes (And Don't Repeat Them as Often)

Male Investors Much More Likely than Women to:

- **Buy a "Hot" Investment Without Research**
- **Hold Losing Investments Too Long**
- **Ignore Tax Consequences of Investing Decisions**

Planning, Temperament, and Use of an Advisor Underpin Women's Investment Success

MLIM Research Points to Four Distinct Investor Profiles: Men Dominate in Competitive and Measured Categories; Women Prevail in Reluctant and Unprepared Classifications

PLAINSBORO, N.J., April 18, 2005 – When it comes to investing, to err is human — but women are less likely than men to do so.

According to a groundbreaking survey of investors by Merrill Lynch Investment Managers (MLIM), women make fewer investment mistakes than men and make them less often – despite the fact that, on average, they tend to know less about investing and enjoy investing less than men. Merrill Lynch Investment Managers is a leading global money manager with more than $490 billion in assets under management.

The nationwide telephone poll examined the investment mistakes of 1,000 investors — 500 men and 500 women — and their related attitudes, beliefs and knowledge levels. Overall findings were released last November; today's release looks specifically at results by gender.

"Men and women approach many things differently — investing is just one of them," said Robert C. Doll, Jr., president and chief investment officer of Merrill Lynch Investment Managers. "Our survey brings a new perspective on the attitudes, knowledge and emotions that inform investor mistakes. Male or female, our point is this: Understand the motivations and emotions that inform your decision making and you can make better, more profitable investment decisions."

"In gender terms, the survey found that a little self-knowledge can go a long way," Doll said. "Women know what they don't know and aren't afraid to ask for help, turning to professional financial advisors at a much greater rate than men."

The poll was conducted between July 19 and August 9, 2004 by the research firm of Mathew Greenwald & Associates, Inc. Participants had to be solely or jointly responsible for financial and investment decisions for their household, and have at least $75,000 in investable assets and an annual household income of at least $75,000 (retirees did not have to meet this requirement). The margin of error (at the 95% confidence level) for the 1,000 investors surveyed is plus or minus 3.0 percentage points. The margin of error (at the 95% confidence level) for the single-sex responses is plus or minus 4.4 percentage points.

Make No Mistake About It — Women Get it Right More Often

While all investors make mistakes, the survey found that women make fewer mistakes than men.

Women are far less likely than men to hold a losing investment too long (35% of women reported having done so at least once vs. 47% of men) or wait too long to sell a winning investment (28% vs. 43%). Men are also more likely than women to allocate too much to one investment (32% vs. 23%), buy a hot investment without doing any research (24% vs. 13%) and trade securities too often (12% vs. 5%).

Men cite holding a losing investment too long as their most painful mistake, while women say not starting to invest early enough was their most painful mistake.

"Men tend to make what we call the 'glamorous' mistakes like riding winners down, holding onto losers, buying on a tip or putting too much money in a single investment," said Hannah Grove, chief marketing officer of Merrill Lynch Investment Managers. "These mistakes may make for interesting cocktail party conversation, but in the greater scheme of things, it's the bigger, systemic failures like ignoring their asset allocation that do the greatest damage to investors' portfolios."

Double Trouble

Not only do women make fewer investing mistakes, they are much less likely than men to repeat the same mistake twice.

Of men who reported buying a stock without doing any research, 63% said they did it again, whereas only 47% of women repeated the mistake. Nearly half (48%) of all women who waited too long to sell an investment did it again, but 61% of men repeated the mistake. And among men who ignored the tax consequences of an investment decision, 68% did it more than once while only 47% of women did.

"Everyone makes mistakes," Grove said. "Successful investors learn from theirs."

A Little Knowledge Can Go a Long Way

A significantly greater percentage of women (47%) than men (30%) report *not* being knowledgeable about investing.

Among six knowledge questions asked, women were significantly less aware of what dollar cost averaging is (39% of women vs. 65% of men) and were less likely to correctly identify historical rates of inflation (43% vs. 67%).

Yet women are more likely than men to describe themselves as a "very successful" investor (19% to 14%) and are more likely to say they do a "very good" job of managing their investments (34% to 25%).

"Women are savvy about investing. If a woman isn't a financial expert, she's going to seek and heed professional advice," said Caroline Gundeck, director of Women's Business Development at Merrill Lynch. "We have found that women want to work with an advisor to build a long-term financial plan. A woman's planning-oriented approach and propensity to seek professional advice contribute to her long-term investment success and provide her with a greater sense of overall financial satisfaction," Gundeck said.

The survey found that men enjoy investing more than women (69% vs. 55%). This is reflected in the fact that 60% of women say they prefer to spend as little time as possible managing their investments (vs. 49% of men).

Asked about the emotions that played a role in the investment mistakes they'd made, men are more likely than women to cite greed (32% of men vs. 16% of women), overconfidence (33% vs. 20%) and impatience (28% vs. 19%).

Women Turn to the Pros

When it comes to investing, it's not what you know that yields investment success as much as who you know, which in this case a good financial advisor.

Regardless of their gender, investors who use advisors express a higher degree of satisfaction and success. Specifically, investors who use advisors:

- Are more likely to have a financial plan (82% vs. 51% of unadvised investors);
- Are more satisfied with their financial situation (78% vs. 67%);
- Are more than 50% more likely (34% vs. 22%) to say they're doing a very good job managing their investments;
- Have a better mix of investments (81% describe their mix of investments as good or better, vs. 68% of unadvised investors).

Not surprisingly, women are significantly more likely than men to say they have a primary financial advisor (70% vs. 50%) and they are also much more likely to have a formal financial plan in place (77% vs. 62%).

"The old stereotype is that when they're lost, men will keep driving while women will ask for directions," Grove said. "Unfortunately, when the destination is financial security, late starts and wrong turns are costly."

"In our experience, women take a very deliberate approach to their finances. They are eager to identify goals and look to build a partnership with their financial advisor. Women need to understand how their money is being invested and want to be actively involved in the process of building and executing a financial plan," added Gundeck.

Independence Is a Strong Motivator

Men and women share many of the same motivations for wanting to be good at managing investments, but where they differ is the degree to which they say these motivations drive them. Both men and women cite the desire to have a comfortable retirement as their primary motivator, however, more women than men cite this (88% vs. 78%). More women also cite wanting to be financially independent (80% vs. 67%) and having money to spend on the things they want (45% vs. 37%) as "very important" motivators.

These results mirror those found in another study done by Grove and Russ Alan Prince, "Women of Wealth," where 76% of affluent women cited "do not want to be dependent on anyone else" as their primary motivation for investing.

Gender and Personality Types

Analysis done on the survey results by Merrill Lynch Investment Managers and Mathew Greenwald indicates that investors fall into four distinct investing personalities: measured, reluctant, competitive and unprepared.

Of these four categories, women are more likely than men to fall into the reluctant or unprepared categories (investors in these categories tend to not enjoying investing and are generally less knowledgeable about investing) while men are more likely than women to be identified as competitive or measured investors (the categories associated with investment knowledgeable and confidence). Of the 1,000 investors surveyed, 32% were identified as measured, 26% as reluctant, 17% as competitive and 11% as unprepared; 14% did not clearly fall into a category.

- **Competitive Investors (17% of all investors; 60% male, 40% female)**

  The clearest gender distinction among the personality types was with the Competitive investor. Sixty percent of Competitive investors are male. Competitive investors enjoy investing, try to beat the market and are the most likely to have chased a hot investment. Competitive investors also have high knowledge levels about investing, which, as discussed above, is something 47% of women say they do not have.

  These investors are the most likely of the four types to have started investing early, and they say that they are both happy with their current financial situation and confident in the future. This group likes to invest as much as possible and rebalances regularly (only 12% have gone more than 18 months without rebalancing).

  Mistakes Made: Forty-six percent of Competitive investors have a hard time letting go of losing investments. Thirty-nine percent said they had put too much of their portfolio to one investment. Competitive investors are most likely to be overconfident (39%) and greedy (34%), but they are least likely to feel apathy (18%) when it comes to investing.

- **Measured Investors (32% of all investors; 55% male, 45% female)**

  This is the largest group of investors. While men predominate, more women are more likely to be Measured investors than any other type. Secure in their financial situation and confident they will have a comfortable retirement, Measured investors have achieved their success because they started investing early in life and invest and rebalance regularly. As a rule, these investors do not try to beat the market or over-allocate to a single investment. Measured investors are the least likely to say they waited too long to start investing or have not invested enough. They are also least likely to be plagued by the emotions that commonly cause investment mistakes: fear (14%) and anxiety (13%).

Mistakes Made: Even the most methodical and even-keeled investors make mistakes. Measured investors often have a hard time letting go of losing investments. This was the most common mistake cited by Measured investors (41%) and nearly one-third of them cited this as the most painful mistake they'd ever made.

- **Reluctant Investors (26% of all investors; 53% female, 47% male)**

  It's no surprise that more women than men are Reluctant investors given that 60% of women (vs. 49% of men) say they want to spend as little time as possible managing their investments. Among Reluctant investors, 92% stated this, versus just 27% of measured investors and 35% of competitive investors. Still, Reluctant investors say they are happy in their current situation and believe they will have a secure retirement.

  Reluctant investors' general satisfaction with their circumstances may be attributable to the fact that they are the most likely of the personality types to have a primary financial advisor. They have other notable strengths, as well. Only 32% of Reluctant investors said they have held losing investments too long and only 25% of them said they have over-allocated into one investment.

  Mistakes Made: Seventy percent of reluctant investors said they waited too long to start investing and 41% of them identified this as their most painful mistake.

- **Unprepared Investors (11% of all investors; 53% female, 47% male)**

  Women's lesser knowledge and interest in investing may explain why this category skews slightly female. Unprepared investors are not happy with their current financial situation. They are the most likely to lack confidence (47%) and be fearful (41%) or anxious (36%) about investing. In general, they have lower knowledge levels on financial topics and express the deepest regret about not investing sooner (57% see this as a major regret). They do not feel they will have a secure retirement -- with reason.

  Mistakes Made: Unprepared investors are the most likely to say they waited too long to start investing (75%) — which they most commonly cite as their most painful mistake — and they are the most likely to say they have not put enough money into their investments (60%). They are very likely to hold on to losing investments too long (56%), allocate too much of their portfolio to one stock (45%) or chase a "hot investment." They are the least likely to rebalance their portfolios. While a smaller group among the relatively affluent sample in this survey, they may well be a much larger proportion of the general population.

"We think it's critical for investors to understand their psychological make-up," Grove said. "Money is an emotional instrument, but emotions can get in the way of making the right investment decisions. Behavioral scientists have tended to look at investors as a whole, but each of us — men and women alike — are influenced by different emotions. If we can fathom our individual emotional tendencies, then we can take steps to anticipate and correct them."

Male or Female, Unprepared or Competitive — Help is Available

The first step in eliminating or reducing investing mistakes is for investors to get a better understanding of their investing personality. To do that, Merrill Lynch Investment Managers has created an informational website for investors: **www.hindsight2insight.com.** The site includes a brief, specially developed quiz that allows investors to determine their investing profile. In addition, the site includes a wealth of information, including information on the differences between male and female investors, survey results, information on the most common investment mistakes and what to do about them, as well as information on how to work with a qualified financial advisor.

In addition, Merrill Lynch Investment Managers has created a companion program to help advisors work with their clients. Dubbed **Hindsight2insight**sm, the program includes a client-approved presentation and brochure highlighting the survey results, the investor personality types and the impact of, as well as solutions for, the most common mistakes.

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Merrill Lynch Investment Managers (MLIM) is one of the world's largest active money managers, with assets under management in excess of $496 billion as of December 31, 2004. The firm offers both institutional and retail investment products and services. MLIM and its investment advisory affiliate, Mercury Advisors, distribute an extensive array of innovative investment options for high net worth investors, including separately managed accounts, private investment portfolios, alternative investment products and open- and closed-end funds. The **Hindsight2Insight**sm program is part of MLIM's longstanding commitment to understanding and addressing the needs of investors and their professional advisors.

Merrill Lynch is one of the world's leading financial management and advisory companies, with offices in 36 countries and total client assets of approximately $1.6 trillion. As an investment bank, it is a leading global underwriter of debt and equity securities and strategic advisor to corporations, governments, institutions, and individuals worldwide. For more information on Merrill Lynch, please visit www.ml.com.

NOTE TO EDITORS: Merrill Lynch Investment Managers' special website – www.hindsight2insight.com – was developed as an educational tool for investors. The site features a Q&A with MLIM CMO Hannah Grove on gender trends in the research and includes an interactive quiz as well as information on identifying and addressing critical investing mistakes. There are no advertisements or solicitations nor does the site capture the names or addresses of site visitors. We encourage you to visit www.hindsight2insight.com and to recommend it to your readers and/or viewers.