

Estimation and Impact of Gender Differences in Risk Tolerance

Urvi Neelakantan, University of Illinois at Urbana-Champaign¹

Abstract

This paper provides numerical estimates of the distributions of risk tolerance for men and women. A simple model of individual portfolio choice is calibrated to data on Individual Retirement Accounts from the Health and Retirement Study to obtain the estimates. Results show that women tend to be less risk-tolerant than men. The estimates are then used to measure the impact of risk tolerance on wealth accumulation. Simulations show that the difference in risk tolerance can account for around 10% of the gender difference in accumulated wealth.

¹Assistant Professor, Department of Agricultural and Consumer Economics, 1301 W. Gregory Dr., 421 Mumford Hall, Urbana, IL 61801, 217-333-0479, 217-333-5538, urvi@illinois.edu.