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Who trades profusely? The characteristics of individual investors who trade frequently

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Abstract

Research has shown that investors trade too frequently, and that this overtrading lowers investment return. This paper examines the characteristics of investors who trade frequently. Multivariable regression analysis of over three years of trading data from 7 200 UK investors enabled identification of numerous characteristics significantly and positively associated with frequent trading. These were male gender, younger age, use of stop losses and use of multiple mediums of trading, including the internet, the telephone and an advice team. In addition, the research revealed that trading frequency is positively skewed, in that a small proportion of investors are responsible for the majority of the trading with the highest cumulative value. The results are of practical value to policy makers that want to reduce investors' trading frequency because they outline that a small minority of investors need be targeted.

Keywords: trading frequency; gender; age; trading medium

JEL codes: G11, G12

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