

## **Testosterone and Overconfidence of Investment Managers**

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### **Abstract:**

We investigate the relation between testosterone and overconfidence, using an experiment with professional investment managers. An important advantage of our experiment is that it provides a measure of overconfidence that is incentive compatible and unaffected by risk preferences. For each investment manager, we measure endogenous testosterone and cortisol levels from saliva samples. We find that investment managers with a higher level of testosterone are significantly more overconfident than investment managers with a lower level of testosterone, even after controlling for other investment manager characteristics. These results uncover an important basis for the overconfidence bias in financial decision making.