



THE POWER
OF INDEPENDENT ADVICE

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BEWARE OF FINANCIAL ADVICE ON SOCIAL MEDIA

By Renee Eagar | Certified Financial Planner®, Brenthurst Wealth, Claremont

Social media has become a hub for financial advice, with influencers and online platforms often touting 'ground-breaking' or 'market-beating' investment tips and strategies. But how reliable is this information?

It's easy to fall for their slick productions and claims of wild returns, but sometimes the product can be an outright scam, or nothing more than paid promotions. Compounded by the fact that social media algorithms are now designed to provide you with an increased influx of comparable videos, a situation exacerbated by the mere occurrence of your engagement with a singular video of this nature or your conversation on the subject—potentially even while your phone is eavesdropping. And soon, all you're seeing is one 'investment opportunity' after the other promising grand returns.

Whatever you do, resist the urge to make financial decisions based on the recommendations of unverified 'experts' with large audiences. Their motivations and your goals are often poles apart and aren't in line with your financial goals and objectives, not to mention the risk you take by falling for their gimmicks.

Here are five reasons you shouldn't base your personal and household finances on the opinion of these 'experts' who have no vested interest in your financial well-being.



Social media is filled with financial scams. Victims lost a total of £63 million to social media investment scams in 2021.

From "Pump and dump" schemes to Ponzi schemes, scammers are very good at making themselves look legitimate and it's easy for the untrained eye to be fooled.

1. A READY AUDIENCE, EAGERLY SERVED

A 2021 study from personal finance comparison site, finder.com, showed that 51% of UK investors turned to social media for investment advice. Just as alarming is that 1 in 5 investors relied solely on social media like Instagram, TikTok and Twitter to research new investments.

This ready audience is manna from heaven for the social media influencers who are happy to fuel their fears. **This has quickly spread into a massive threat, with authorities scrambling to clamp down on misinformation and scams.** The UK's Financial Conduct Authority, for example, found more than 10,000 misleading financial promotions and scams in 2022. South Africans are just as at risk, especially for the households desperate to find a quick way out of a financial hole.

2. UNREGULATED ADVICE AND “FINFLUENCERS”

The problem is not that people are searching for answers online, the problem is that the unscrupulous and greedy have an audience (sometimes) willing to do anything to get ahead.

The so-called “Finfluencers” are social media influencers who present themselves as experts. But that may not be the case. Unlike regulated financial planners, these online personalities are not held accountable if you lose money because of their advice. Be aware that not all these social media personalities are qualified financial advisors, and you could be left high and dry if poor advice leaves you out of pocket.

3. FINANCIAL SCAMS ON SOCIAL MEDIA

SOCIAL MEDIA IS FILLED WITH FINANCIAL SCAMS. VICTIMS LOST A TOTAL OF £63 MILLION TO SOCIAL MEDIA INVESTMENT SCAMS IN 2021. From “Pump and dump” schemes to Ponzi schemes, scammers are very good at making themselves look legitimate and it's easy for the untrained eye to be fooled.

Meeting face-to-face with an advisor produces a totally different relationship and understanding of your goals and drawing from the advisor's trained knowledge and experience. It's easy to build an online brand that looks convincing, so do your homework and due diligence before taking online financial advice.

4. CHASING TRENDS CAN LEAD TO LOSSES

The past few years have been filled with stories of mind-boggling gains turning into heart-breaking losses. Remember the story of how users abused online marketplace Robin Hood to push the price of GameStop to unreasonable highs, only for latecomers to make huge losses when the price collapsed?

Chasing the latest trends can be tempting, but if something appears too good to be true, it often is. **Your investment plan must be built around a long-term goal, with a clear strategy that will deliver the result that you need.**

5. AI IS GOING TO REVOLUTIONISE ROBO-ADVICE

It's to be expected that the current hype around generative artificial intelligence (AI) has rekindled the idea of robo-advice: personalised financial plans and advice based on information known about you, generated by an algorithm. This is a very tempting idea, but also one not worth betting your future on. AI certainly has a role to play and could help advisors make more informed decisions, but robo-advice has not lived up to the hype.

I personally think that, with all the scams taking place online, it will be very tough for an individual to buy into this concept and choose it over personal relationships and input. Not to mention doing what is in the best interest of your clients.

To be clear, I fully support the use of online resources to gather information and to obtain different perspectives and opinions. Because, with that information, you can hopefully be better informed about the decision you need to make, why you need to make it and what your options are.

This research should definitely inform your decision, but it shouldn't direct your decision. This, I believe, should still be made in consultation with a qualified advisor who can help you make the best choice possible.



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RENEE is head of the Claremont office. She is a CERTIFIED FINANCIAL PLANNER® professional and a member of the Financial Planning Institute of South Africa.

Renee ranked as one of SA's top three financial advisors at the 2022 Intellidex Top Private Banks and Wealth Manager Awards.

Renee has been in the financial services industry since 1998 and has worked for institutions such as TMA and Investec Asset Management. She obtained her Higher Certificate in Financial Markets in 2004 and attained her CERTIFIED FINANCIAL PLANNER® designation in 2006. Renee is fully qualified to give advice on all investment matters.

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