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IN THIS ISSUE

The Financial Sector Conduct Authority (FSCA) is scrutinising unregulated 'finfluencers' who provide financial advice on social media platforms without proper authorisation, highlighting the risks of following such guidance. The article underscores the importance of seeking advice from qualified financial professionals to avoid potential scams and misinformation prevalent online.

THINK TWICE BEFORE TRUSTING FINANCIAL ADVICE ON SOCIAL MEDIA

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Key topics

- **FSCA targets unregulated 'finfluencers'** giving financial advice online.
- **Social media** promotes loud voices and not qualified financial experts.
- **Financial scams on social media** are more sophisticated and risky.

You may have seen the recent headlines about the FSCA setting its sights on so-called 'finfluencers', and I'm not surprised. It was only a matter of time.

In a move that could change the social media advice landscape in South Africa, the Financial Sector Conduct Authority (FSCA) has made it clear that unregulated financial advice online is firmly in its crosshairs.

The regulator is now considering whether finfluencers – influencers who dish out financial advice on platforms like TikTok, Instagram or YouTube – could be in breach of the law if they're giving advice without authorisation.

As someone who works closely with individuals and families on their long-term financial planning, I see just how easily people are misled online. The FSCA's stance is a timely reminder: not all advice is good advice, and when it comes to your financial future, the risks are just too high.

Together with the help of AI, I have witnessed some scary scams of late – genius but fake impersonations that one can easily believe and be fooled by.

So, let's talk about why it's important to be cautious of the financial content you consume online, and why social media is not the place in which you should be planning your financial future.

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WHY YOU NEED TO BE CAUTIOUS OF WHO YOU LISTEN TO

We've all seen the polished videos and posts promising "market-beating" strategies or ways to "build wealth fast". It's easy to be drawn in, especially when the person delivering the message seems confident, relatable and successful. But here's the thing: just because someone has thousands of followers doesn't mean they have your best interests at heart.

Often, they're being paid to promote a product or strategy; and that's not always disclosed. On other occasions, they may have no qualifications at all. Worst case? It's a scam dressed up as financial advice.

When your feed is loaded with one "investment opportunity" after another, it's easy to feel like you're missing out if you don't act now. But that fear of missing out is exactly what scammers and opportunists rely on.

FIVE REASONS TO STAY SCEPTICAL OF SOCIAL MEDIA ADVICE

1. SOCIAL MEDIA SERVES THE LOUDEST VOICES, NOT THE MOST QUALIFIED ONES

More than half of UK investors were already turning to social media for investment advice back in 2021. And worryingly, one in five relied solely on platforms such as TikTok, Instagram and X to guide them in making decisions.

That same trend is taking hold here in South Africa, and it's a problem. These platforms don't highlight what's accurate or responsible, they promote that which generates clicks. And if someone benefits from your fear or urgency, they'll keep feeding it.

2. FINFLUENCERS ARE NOT THE SAME AS FINANCIAL PLANNERS

I understand the need to search online when you have a financial question – it's human. But be careful! Just because someone sounds like they know what they're talking about doesn't mean they're qualified to advise you.

Finfluencers don't have to follow the same rules as those which regulated financial planners have to follow. They don't answer to any authority. And if their advice goes horribly wrong, there's no one to hold them accountable. That's not a risk anyone should be comfortable taking.

3. FINANCIAL SCAMS ARE MORE SOPHISTICATED THAN EVER

From "get rich quick" crypto schemes to so-called "investment clubs", scams are rampant on social media. In the UK, more than £60 million was lost to social media scams in one year alone.

Scammers are clever. They build entire brands that look trustworthy and use fear or urgency to push you into action. That's why personal relationships matter. Sitting down with a real advisor means we get to understand your goals, your context and the risks you're willing to take, and build a strategy that suits you.

4. TRENDS CAN COST YOU MORE THAN YOU THINK

If you remember the GameStop frenzy, you'll know how quickly hype can turn to chaos. Early investors made money, but many others lost out badly. When everyone is chasing the next hot thing, it's easy to forget the basics. A sound financial plan isn't built on trends or headlines – it's built on consistency, patience and a long-term strategy. It may not be flashy, but it works.

5. AI MIGHT HELP, BUT IT'S NOT A REPLACEMENT FOR HUMAN ADVICE

There's a lot of talk about AI taking over everything, including financial advice. I think AI can be a powerful tool, especially in helping us advisors make more informed decisions. But it's not a silver bullet.

When it comes to planning your life, your retirement, or your child's education, you need more than data. You need someone who understands the human side of money: your fears, your dreams and what really matters to you.

USE THE INTERNET TO GET INFORMED, NOT TO MAKE THE DECISIONS

Let me be clear; I'm not saying you shouldn't learn or explore online. In fact, I encourage it. The more you understand your options, the more informed your decisions will be. But your final decision shouldn't rest on what an influencer said in a 30-second reel.

Talk to someone who is qualified. Someone who has a duty to act in your best interests. Someone who wants to help you succeed, not just go viral.



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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 received the prestigious SA Top Wealth Manager Award at the 2024 Krutham Top Private Banks and Wealth Manager Awards. Additionally, she was also recognised as one of SA's top three financial advisors at the 2022 Intellidex 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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