

## Investor Advisory: Social Media, Online Trading and Investing

In our digitally connected world, some investors turn to online chatrooms and social media platforms for information about investing or specific investment opportunities. And with today's trading technology, it's easy to go from zero to invested in a matter of minutes. Phone apps can turn inexperienced investors into day traders, and online investment chat forums make it easy to use these sources for investment advice rather than relying on the services of a registered investment professional. While ever-evolving financial technology innovation makes investing more accessible to greater numbers of people, investors must understand the risks created when financial innovation and social media intersect.

### The Influence of Social Media on Investing – Understand the Risks

Investors now have more power than ever to effect change in the investing marketplace.

For example, investors can focus their investment decisions to influence how a company operates – even influencing a company's environmental decisions, social values, and how public companies are governed.

Investors also know they can use social media to raise or lower interest in a certain company, thereby possibly influencing the trading volume, volatility, and price of a given stock.

Investors with long-term investment goals should be cautious of making investment decisions based solely on social media campaigns and influence.

### Don't Let Social Media Manipulate Your Investment Decisions

Important cautions and considerations to help keep your investing strategy on track:

- **Social Investing.** Resist the pressure created by social media chat platforms and buy/sell indicators influenced by social opinions. Thoroughly research the source making the recommendations, look for secondary sources of information, and check with a registered investment professional.
- **Short Term Trading.** Short-term trading can lead to significant and unanticipated losses for investors. Recognize potentially damaging investing behaviors connected to short term

trading and influenced by social media, which include investing in bubbles or manias, momentum investing, and noise investing. To learn more about these investing behaviors see this [SEC bulletin](#) regarding social media influence on short term trading.

- **Trading on Margin, Trading Options.** Make sure you fully understand the mechanics and risks of trading on margin and trading options contracts before undertaking such a strategy. Margin and options trading generally is riskier than simply buying or selling securities. Many investors have been harmed by this trading activity, and it is possible to lose more money than you have invested. For more information on margin trading and its risks, see the U.S. Securities and Exchange Commission's investor bulletins: [Understanding Margin Accounts](#) and [Margin Rules for Day Trading](#). A particularly risky form of options are binary options. For more information see NASAA's [Informed Investor Bulletin on Binary Options](#).
- **Price Volatility.** The stock of a publicly traded company can fluctuate rapidly and sometimes significantly throughout the trading day. Investors should stay focused on their own investment goals and not give in to social media pressure to make quick decisions regarding any volatile investment.
- **Long Term Focus.** An impulsive investment driven by social media hype can derail your long-term investing strategy. It is important to keep your emotions in check. Build an intentional speed bump into your investment decision making by looking for other sources of information and consider talking to a registered investment professional before buying or selling.

## The Bottom Line

It can be easy to get caught up in the hype and mania surrounding a particular investment when engaging with social media platforms. Informed investors will stay focused on their individual investing goals and time horizon, find additional sources of information, and never give in to pressure to invest in a hurry.

For more information about this and other investing topics, contact your [state or provincial securities regulator](#).