

January 2024

Tips for Young Investors: Engaging with Social Media Finfluencers

Financial influencers on social media platforms such as YouTube, TikTok, and Instagram play an important role for young investors, providing unprecedented access to information and advice about investments. With increased access, however, comes increased exposure to potential bad actors and questionable advice. Follow these tips to safely navigate the world of finfluencers and better understand financial markets. Use social media to achieve the following:

- 1. Enhance and democratize financial literacy.** Take control of your financial well-being. Social media platforms offer an abundance of information and knowledge, ranging from general personal finance to deep dives into specialized investing topics.
- 2. Learn about financial market participation.** Curious about how to start investing? Social media has robust resources explaining basic financial topics and supporting young investors by giving them confidence to start investing to reach their financial goals.
- 3. Gain exposure to financial products and strategies.** Social media can be a great resource to learn more about different products and how they fit into an investor's personal goals.
- 4. Source low-cost or free advice.** Social media enables access to different sources of advice without spending limited resources. But remember, sometimes you get what you pay for.
- 5. Connect with like-minded investors.** Social media channels make it easier to align with other investors like you. Whether connecting with an influencer who shares your personal values or joining an investment club to share your love of investing, social media can be a fruitful space to converse and learn about investing.

To safely navigate social media as an investing resource, however, remain mindful of these often-overlooked evaluation areas:

- 1. Consider motivations.** Being a financial influencer is like owning a business, and the business of influencing is to sway followers' buying choices. Typically, finfluencers earn their money by being paid to review or discuss a product, or they receive an in-kind exchange of equal value—or a combination of both.
- 2. Be critical of advice.** Be skeptical when consuming influencer content and ask yourself, "Is this content authentic or advertising?" Not all paid/sponsored content is disclosed. Use a broad set of sources to gain investing information. If finfluencers make claims about a product or investment, seek out separate information sources to corroborate such claims.

- 3. Look for disclosures (or lack thereof).** All financial, employment, personal, and family relationships with a brand should be disclosed. Whenever a finfluencer makes an endorsement, these relationships must be disclosed. All disclosures should be unambiguous and easy to find, read, and understand, and they should be included directly in the endorsement itself.
- 4. Question credentials.** Being a finfluencer requires no qualifications. Finfluencers can be everyday people who appear successful and authentic but may be presenting a fake persona. Never rely on follower/subscriber counts as a proxy for investment knowledge or success.
- 5. Examine purported performance.** Even the best investors make investments that result in financial loss. Look for finfluencers who divulge the entirety of their investment performance, taking time to talk through gains and losses. There is no such thing as an investment without risk.

About the Research and Policy Center

CFA Institute Research and Policy Center brings together CFA Institute expertise along with a diverse, cross-disciplinary community of subject matter experts working collaboratively to address complex problems. It is informed by the perspective of practitioners and the convening power, impartiality, and credibility of CFA Institute, whose mission is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. For more information, visit <https://rpc.cfainstitute.org/en/>.

Unless expressly stated otherwise, the opinions, recommendations, findings, interpretations, and conclusions expressed in this report are those of the various contributors to the report and do not necessarily represent the views of CFA Institute.

No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission of the copyright holder. Requests for permission to make copies of any part of the work should be mailed to: Copyright Permissions, CFA Institute, 915 East High Street, Charlottesville, Virginia 22902. CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute. To view a list of CFA Institute trademarks and the Guide for the Use of CFA Institute Marks, please visit our website at www.cfainstitute.org.

CFA Institute does not provide investment, financial, tax, legal, or other advice. This report was prepared for informational purposes only and is not intended to provide, and should not be relied on for, investment, financial, tax, legal, or other advice. CFA Institute is not responsible for the content of websites and information resources that may be referenced in the report. Reference to these sites or resources does not constitute an endorsement by CFA Institute of the information contained therein. The inclusion of company examples does not in any way constitute an endorsement of these organizations by CFA Institute. Although we have endeavored to ensure that the information contained in this report has been obtained from reliable and up-to-date sources, the changing nature of statistics, laws, rules, and regulations may result in delays, omissions, or inaccuracies in information contained in this report.

First page photo credit: Getty Images/izusek



CFA Institute

Professional Learning Qualified Activity

This publication qualifies for 0.25 PL credits under the guidelines of the CFA Institute Professional Learning Program.