



Social Media Influencers vs. Financial Advisors

One is based on personal experiences and the other is grounded in theories

As the digital age reshapes traditional norms, a dramatic shift in the sources of financial advice is emerging among young investors. Betterment, a leading online investment company, recently surveyed 1,200 investors from Gen Z to baby boomers about their preferred sources of financial information. The study revealed a fascinating trend: more than half of Gen Z and millennial investors are receiving financial advice from social media.



Simultaneously, the survey found that financial advisors are the most trusted source of advice, with 67 percent of respondents ranking them in the top three. Meanwhile, social media influencers lagged, with only 22 percent ranking them within their top three. Interestingly, those who already had a financial advisor were more likely to listen to social media influencers, at 58 percent, than those without an advisor, at 15 percent.

This intriguing data prompts a deeper exploration into the risks and rewards of sourcing financial advice from social media influencers versus financial advisors, particularly for younger generations.

Social Media: New Face of Advice?

Social media influencers, with their enormous online presence, have emerged as a significant source of financial advice for young investors. Influencers often share personal anecdotes, strategies that have worked for them, or promote certain financial products, offering a more relatable and accessible source of financial wisdom.

However, despite their appeal, there are noteworthy perils associated with relying solely on influencers for financial counsel:

1. **Limited Accountability:** Influencers don't face the regulatory scrutiny that certified financial advisors do. This absence of accountability can potentially lead to the dissemination of questionable advice, without any legal repercussions.
2. **Lack of Personalization:** Financial advice is not 'one-size-fits-all.' Everyone has unique financial circumstances and goals. Influencers provide generic advice that may not align with an individual investor's particular financial situation or risk tolerance.
3. **Potential Conflicts of Interest:** Some influencers promote financial products or stocks because they're paid to do so, creating a clear conflict of interest.

Financial Advisors: Reliable Counsel

Financial advisors have long been the go-to source for dependable, professional financial advice.

They're required to have extensive training, licenses, and operate under a fiduciary standard, ensuring they act in the best interest of their clients.

Key benefits of using a financial advisor include:

1. **Personalized Advice:** Financial advisors take into account your financial situation, goals, risk tolerance, and more, offering advice tailored specifically to you.
2. **Expertise and Experience:** Financial advisors are equipped with deep understanding of market dynamics, financial planning, risk management, and the effects of economic events on investments.
3. **Regulated by Financial Authorities:** They're held accountable by regulatory bodies, ensuring they operate within the bounds of financial laws and ethical standards.
4. **Comprehensive Financial Planning:** Advisors look at the bigger financial picture, assisting with tax planning, retirement, and estate planning, which often aren't covered by influencers.

Personal Planning Matters

Interestingly, Betterment's survey highlighted that having a financial advisor did not dissuade investors from also considering the advice of social media influencers. This dynamic might be seen as a desire to diversify sources of advice, not unlike diversifying an investment portfolio.

However, the onus remains on young investors to discern between advice that is based on personal experience, trends, or even speculation (as can be the case with influencers), and advice that is personalized, grounded in financial theory, and comes from a fiduciary responsibility (as is the case with financial advisors).