

## **The dangers of social media financial advice**

### ***Beware of new craze on TikTok called 'Fintok' and watch out for scams***

**23 March 2021:** A recent phenomenon on the popular social media platform, TikTok, is causing concern that viewers, who are more than 800 million users worldwide mostly between the ages of 16 and 24, could be vulnerable to financial misinformation.

“Users should be wary of videos that are portraying lifestyles that seem too good to be true. Taking financial advice from online social platforms may have real and often devastating consequences on one’s finances, especially if you are starting on your financial journey, or learning to invest,” says Nomi Bodlani, head of strategic markets at Allan Gray, adding that financial advice should be tailored to your specific needs and circumstances; it is not a one-size-fits-all exercise.

Under the hashtags “Fintok,” “Moneytok,” “financetok” or “howtoinvest” and “personalfinance,” there are millions of videos, some of which count their views in the billions. Many of these videos come across as “get-rich-quick” schemes – showing off cars, big houses or private islands. They also share financial advice nuggets or promote buying certain stocks with catchy titles like “retire a millionaire” and “one stock that could make you rich”. In many cases the people behind these videos are youngsters without any financial qualification, and some have a history of peddling promises of making money quickly and easily.

Bodlani says this has opened the door for scammers and fraudsters to manipulate the emotions of users in order to get money.

“In these difficult and desperate times, where there are many families struggling, these kinds of promises of dreams and money can sadly fool even the most astute,” says Bodlani, adding that the advice portrayed in these videos is “reckless, dangerous and very misleading”.

The videos, in many cases, over-simplify complex processes and make it seem possible to earn huge profits and financial returns, in return for helping the user who is posting the financial video, to build their community.

“We must remember that there is no such thing as a free lunch. The quick ways to make money often end in losses. A more prudent way to financial freedom is to spend less than what you have, and to save diligently.”

Bodlani says that one important advantage younger investors have is time.

“By starting legitimate investments at an early age, you can benefit from the power of compounding and time in the market, building real, lasting wealth.”

Below are her top tips to scam-proof your investment approach and what to look out for when considering a new investment:

- An investment that requires you to recruit new investors in order to realise the return on your investment is a pyramid scheme. Be wary of tiered investments that classify investors or have multiple levels (e.g. bronze, silver, gold, platinum and diamond).
- If you don't understand how an investment product generates its returns and there are no clear underlying assets you should be cautious.
- Fraudsters want to create a sense of urgency to limit the amount of time you spend researching and thinking about the potential investment. Anything sold as a "once-in-a-lifetime opportunity" should be avoided.
- Consider financial service providers with decent track records. Most scams will promise great returns, without a solid track record to back them up.
- If the investment is not registered with a mainstream financial body, like the Financial Sector Conduct Authority, it is not regulated. You should also contact financial bodies to verify the registration of any financial entity that is relatively new or not well established.
- The adage still applies: If it seems too good to be true, then it probably is. Trust your gut – it will help you avoid permanent capital loss. Always consider expert advice.

"Many investors, whether starting their journey or heading into retirement, fall prey to scammers because they do not have a solid financial plan. A good, independent financial adviser will explore your unique set of circumstances and implement a long-term investment strategy to help you reach your financial goals," concludes Bodlani.

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