

Don't Let Your Clients' Kids be the Next Reddit Victims

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by Sara Grillo

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There are times when you are called to advocacy. As a profession, this is one of them. Advisors are the stewards, the informed, the protectors, and if there is a force that stands between the next generation of investors and financial devastation, it is you.

This is a serious and important article about investor advocacy.

Online trading is the new drug of choice for the younger generations

The pandemic closed casino doors and opened sesame to a much more addictive and accessible form of gambling: online day trading. It is the new drug of choice for Generations Y and Z.

- With 3 million new accounts opened in Q1 last year, Robinhood had twice as many new accounts opened than Schwab, TD, and eTrade combined.
- According to Yahoo!finance, on Friday, January 9, in the midst of the GameStop frenzy, 600,000 people downloaded the Robinhood app.
- As of last June, 32% of Robinhood users were between 25 and 34 and half of them were first-time traders.

With zero commissions and easy access to leverage, those young adults are at risk of trading their lives away, literally. Market crashes correlate with higher suicide rates. But it's dangerous even in a booming market. A young man, distraught over a six-figure loss in his Robinhood account that he did not understand, took his life last year.

Before I had my kids, I was an adjunct finance professor at a few universities in New York City. I adored my students, their curious faces lighting up as I sketched out the Markowitz frontier on the whiteboard.

"Can you show me again, Professor Grillo?"

They're still in my heart. I remember one phone call to my best student's mother to tell her he got the top grade in my macroeconomics class. An immigrant family, poor, humble, and hardworking. She spoke broken English and I can still hear the pride in her voice. He went on to become a successful engineer.

Imagine if instead you were the mother who got a phone call telling you that your baby boy was gone forever.

Why didn't somebody protect him?

Where did I fail?

Where did we fail?

How did an industry full of master's degrees, Phds, CFPs, and CFA® charterholders allow this rampant exploitation to exist?

And how many more lives are we going to lose over this? How many financial futures are going to be crushed to oblivion before somebody stands up for those vulnerable young adults?

Pop finance is the gateway drug

The internet boom begot "pop finance," with social media influencers and celebrities given free rein to sling out any old



stock call. You see Lindsay Lohan on Twitter saying, “Bitcoin to the moon.” Elon Musk and Gene Simmons have expressed similar views.

Social media is where young adults live, and what the trending influencers say carries a lot of weight. Just like any drug, excitement over these faux celebrities distorts people’s view of reality.

- TikTok – second most downloaded application behind Whatsapp, most users between 16- and 24-years old;
- Reddit – seventh most visited website in the US; 23% of users between 25- and 29-years old; and
- Instagram – 72% of people ages 13-17 and 67% of 18- to 29-year olds are users of this platform.

Giving popular financial advice on the internet can be very lucrative. Financial keywords are among the more expensive ones on Google. You can be handsomely compensated for ads placed on videos about stock trading. Without a securities license, you can encourage people to open accounts at a certain brokerage firm to make the trades discussed in your videos and the brokers get a kickback from it. Take for example this video that contains an [affiliate link](#).

The lack of full and meaningful disclosure is ridiculous. Take this video, by [ZipTrader](#), discussing three stock picks for February 2021:

- If it were a broker dealer rep making this video, there would be a page and a half of disclosures and three weeks to get through the queue.
- There is no in-depth discussion of the specific risks endemic to investing in equity securities, cryptocurrencies, or short selling, although all of these concepts are mentioned in the video.
- It has no clear acknowledgement as to whether the video creator holds any of the positions mentioned in the video, or intends to initiate a position within the next three days.
- It lacks a clear citation of sources mentioned.
- It is missing disclosures in the body of the video. Most compliance teams won’t let you publish a video without a disclosures page at the end and sometimes in the beginning of the video as well.

The worst part is that they get all the upside of being a financial advice giver with none of the consequences – or responsibilities – that should come with it.

Stand up and fight

Don’t let the children of your clients be the next victims of the frivolous advice spewed out on Reddit, Robinhood, or any of the other pop finance sites. You are trusted by your clients and the ones to protect and defend them, their children, and all who you influence.

Educate your clients and their children.

Write these blogs and send them to your clients:

- How to get your kids started with investing
- Dangerous trading behaviors your kids should not be doing
- Talking to your kids about margin
- What is short selling?
- How are social media influencers compensated?
- The definition of a “dangerous trading app”
- How to recognize the signs of trading addiction
- What it means to be a credible source of financial advice

Host webinars, post videos to social media, and discuss these concepts in your email newsletters.

Sample client letter

Please feel free to use my sample client letter within this blog post entitled, “How to protect your kids from Reddit, Robinhood, and other social media sites encouraging reckless trading.” It is an example of a letter to send to your clients to protect their kids.

This is only a template or rough sketch; you can alter it to meet your style. If you utilize this article, have it reviewed and approved by your compliance team before sending to clients – this is *not* already compliance approved.

Please download the sample client letter within the blog post [here](#).

I also posted it to [LinkedIn](#); you can download it there, too.

Influencing regulators

Ironically, the erudite and informed financial professionals are the ones who are restricted to the point where it's futile to attempt internet marketing; but any non-registered individual can express any opinion, it seems, and do unlimited damage.

Just as you cannot legally administer medical advice unless you are a certified medical professional, unregistered, unlicensed individuals should not be allowed to freely discuss investment recommendations on the internet. If a person is going to be compensated for getting someone else to open a brokerage account or take any action related to brokering securities, they should have to be a registered securities professional. Enticing unwitting, novice traders to trade speculatively on margin is a form of predatory lending.

Regulators are always slow to intervene, but the more voices they hear will quicken the process. I've reached out to some of the regulators on this issue. I will continue to do so.

Sara's upshot

Be the light that outshines the darkness. Light it up, advisors. You can do a lot or a little, but just do *something*. Stand up and fight for the vulnerable in our society.

This is not time to be intimidated or distracted. There are resources on [my blog](#) and if any of you have specific questions about how to use social media to gain more influence on this matter, send me a message.

Sara Grillo, CFA, is a marketing consultant who helps investment management, financial planning, and RIA firms fight the tendency to scatter meaningless clichés on their prospects and bore them as a result. Prior to launching her own firm, she was a financial advisor.

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