

Financial Advice on Social Networks

SYMBOL	PRICE	CHANGE
ACL.N	47.00	50.00
AEL.N	14.70	14.80
ALUF.N	9.50	11.00
ASHO.N	541.00	835.00
BRWN.N	115.00	124.00
CERA.N	106.00	129.50
CFLB.N	11.00	13.40
CIND.N	76.00	79.00
DOCK.N	71.00	77.00
EBCR.N	16.30	19.00
HAYL.N	70.20	73.50
HHL.N	45.00	47.80
IDL.N	5.00	6.00

Over the years, there is a growing trend among investors especially the new breed of young investors who seek investing tips/advice through social media platforms rather than use traditional means such as print and electronic media. Twitter, Facebook, TikTok and YouTube are some of the popular social networks that are used to give investment advice. Some investors belong to investment communities or forums and share investment information and tips on social media accounts.

Who are Finfluencers?

During the two pandemic affected years, a large number of investors plunged into online investing. It is during this period that financial influencers dubbed ‘finfluencers’ gained prominence. Finfluencers, by virtue of their popularity or cultural status, influence the financial decision-making process of others through promotions, endorsements or recommendations on social media.



Generally, finfluencers play host to a variety of advice and insights on personal finance and influence potential investors with proclamations of investment schemes of “getting rich quick”, “guaranteed returns”, “easy ways to financial freedom” etc. One must keep in mind that though some advice may be genuine and helpful, others may be misleading, false and reckless so always remember to do your own research. The advice they give varies but are mostly grounded on how to invest but rarely set out the risks or pitfalls associated with the investments they endorse. New investors who enter the market hope to make money quickly and easily fall prey to content of finfluencers.

Since financial influencers may not have the experience or qualifications to give accurate investment advice it is important that investors are skeptical about believing such content. Moreover, investors should also be cautious about taking unverified advice from unqualified and anonymous sources because such individuals may not be able to guide you in what is best for you.



In the Sri Lankan content in order to advise investors on investing in the stock market, an Investment Advisor should obtain the Registered Investment Advisor Status from the Securities and Exchange Commission of Sri Lanka (SEC). Registered Investment Advisors are required to provide potential investors with all the information relevant to making an informed investment decision. If a finfluencer claims to be a Registered Investment Advisor, you can verify their status on the SEC website. In fact, you can determine whether there are any regulatory actions involving the Investment advisor, their qualifications, experience etc.



Social media content is not a replacement for individualized financial advice.

Investing is meant to be a personalized endeavor and general investment tips/advice may not suite your needs. Before you invest, do your own research and verify the content that you find on social media platforms. It is always important to have all the information at hand in order to make investment decisions.

Watch out for Red Flags

Consider the following before you base your decisions on investment advice on Social Networks.

- Check Credentials - Always check the credentials of the Investment Advisor to see whether he is registered by the SEC



- Request more data to support the Investment Advisor's claims -

Before you base your investment decision on schemes, promising “guaranteed returns” always substantiate their claims.

- Do your own research -

Before you invest based on advice, always do your own independent research. You may be a target of con artists therefore always seek advice from a Registered Investment Advisor.

- Question the motive of the person offering advice and tips -

Investment advice and tips on social media is usually free of charge. These advisors may be getting paid to endorse certain investments and may have undisclosed conflicts of interest.

- Be skeptical when the returns promised are very high -

There is no such thing as safe and quick money. If you are being offered exceptional high returns then you can be certain that the risk is also high.

- Ensure you have a thorough understanding of the investment being promoted

All investments involve opportunities as well as risks. Make sure you have a sound understanding of the investment that is being promoted. You must be wary of the social media content which only addresses the returns and leaves out the risks.

