

Managing Your Money

Emotional Investing And Social Media

(NAPS)—When it comes to gathering information to make an investment decision, investors have access to a variety of online information sources, from investment platforms to news and social media. No matter where you get your trading insights, know this: Where there is opportunity, there is also risk. Stock markets go up and they go down—and the steeper the rise or the fall, the easier it can be to derail a long-term strategy with a snap, emotionally driven decision.

Fortunately, you can use these tips to keep emotions in check.

1. Be mindful. Mindfulness can be helpful, even with investing. Before you make an investment decision, ask yourself whether an investment aligns with your financial goals. Small-dollar investments based on hype around a security might turn into big gains, but they can just as easily turn into big losses.

2. Mitigate your risk. Make sure your investment decision involves a level of risk you, not necessarily others, are comfortable with. Some people have the means to take risky bets, but many do not. Short-term trading in a volatile market carries significant risk of loss. Above all, if you seek short-term returns, don't sacrifice money you cannot afford to lose. Remember that diversification—spreading out your investments both across and within different asset classes—can help you manage your risk.

3. Consider your source. Some companies offer tools that analyze or aggregate information from social media sources to help investors make investment decisions. Depending on how it is presented, this social sentiment information—particularly real-time discussion platforms and buy/sell indicators driven by social sentiment—can lead to impulsive investment decisions, which can be a risky way to approach investing.

4. Watch your wallet. Some investors believe they can maximize investment returns by taking early withdrawals from retirement accounts or borrowing against their homes. Be aware that leveraging long-term assets for short-term gains can have significant consequences—from fees and taxes to risk of loss and more.



It can be tempting to make emotionally driven investment decisions, particularly in volatile markets.

5. Understand the costs and risks of margin investing. Trading in a margin account—an account which lets you borrow money to purchase securities—also involves risk and you can lose more money than you deposit in a margin account. Your firm can force the sale of securities in your accounts to meet a margin call, sell your securities without contacting you and increase its margin requirements at any time without providing you with advance notice.

6. Get the basics on options trading. Options are contracts that give the purchaser the right, but not the obligation, to buy or sell a security at a fixed price within a specific period of time. Options can help investors manage risk or increase buying power. But buying and selling options also involves risk, and it is possible to lose money.

7. Know the rules if you are day trading. Are you actively trading stocks? If so, it's important to know what it means to be a "pattern day trader" because there are requirements associated with this kind of trading.

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