

Offbeat Offerings

Using Social Media for Investment Issues

Offbeat Offerings is a reference source for investment products and services that are not your typical offerings.

Over the last few years, the social media arena has exploded on the Internet. Social media typically is considered to be user-generated content, meaning the people who use the site are the ones posting the information. Most social media sites are free to encourage others to join. More users means more content, which in turn attracts even more users.

The Internet has come to be a place to share information with anyone who wants to read it.

The financial sector was slow to adopt a lot of these new on-line media outlets, but this has changed in recent years. Five years ago the only social media outlets for investors were discussion forums, which could be hard to navigate and from which it was difficult to mine useful information, and a few blogs, which are on-line public diaries (shortened from the term weblog).

Today there are thousands of options for interested investors to exchange investment advice, tips and experiences. Even brokerage firms like Charles Schwab have added community investment features to their offerings.

Types

There are a many different types of social media outlets on the Internet for investors.

Blogs

People have been blogging about their day-to-day experiences, thoughts, feelings, cooking skills and practically anything they feel like sharing with the world for a long time. Early blogs seem quite archaic compared to the slick pages we see today. Blogs can consist of pictures, charts, links to other Web sites and articles, videos and more.

Most blogs are highly specialized. For example, learning to read and implement trading strategies using certain technical indicators, or investing in a certain sector or industry. Some blogs will cover general market analysis and news as well.

Financial blogs can be written by anyone: professional investors and money managers, financial authors, newspaper and magazine staff, and even your neighbor who

dabbles in investing in his spare time.

Because of this, you should take everything you read on a financial blog with a grain of salt. Consider who is writing it and what the motives might be. Is it purely for educational purposes or is it sponsored by a brokerage firm or other financial company?

Most blogs have an “About Me” link, which can give you some insight on the blogger’s experience, reliability and motives.

Typically blogs are free to read and require no registration. You can also comment on postings and most sites allow you to sign up to receive notifications of new postings.

Discussion Forums & Message Boards

On-line discussion forums and message boards were the first type of financial-related social media to take off. Entire Web sites are devoted to message boards, and Yahoo! Finance offers a message board for every publicly traded company.

Message boards and forums offer investors a space to ask and answer questions, share ideas and more. These may or may not be monitored, but you should be able to report inappropriate comments. You need to be wary of the postings because you do not know who is on the other end. Unlike a blog, you usually know very little (if anything) about other message board members.

Most likely you will have to register with a site to post and read messages. Discussion boards are organized by topics and threads. A topic might be “commodity stocks” and a thread is a specific discussion started by a site user relating to investing in commodities.

Investment Communities

Investment communities are Web sites where investors can create profiles, post thoughts and ideas, and share investment strategies with other members. Most sites require registration. You can typically create hypothetical portfolios and share your strategies, tips and performance with others. Some sites include a portfolio performance competition among members.

These sites usually allow you to create a custom home page with your profile and investing stats. Message boards and discussion forums are also included. You can usually send messages to individual members through an on-site messaging system.

Some of these sites are free and open to anyone. A number of brokerage firms and banks have also started to add investment community areas to their sites for customers.

Twitter

Twitter is a microblog that allows only 140 characters per posting, called a “tweet.” You can follow other members of the Twitter community and garner your own following by entering unique tweets or re-tweeting what other users have written.

Most major news organizations and financial Web sites (like the Wall Street Journal) are members of the Twitter community. Their tweets are typically related to new content posted on their Web sites. You can search Twitter by topic to find related tweets. It is free to create a Twitter account.

Investor Suitability

All investors can use social media to their advantage. Message boards and forums can provide a sounding board for ideas and investment strategies. Blogs written by knowledgeable investors can be a great source for up-to-date information, market news and analysis, and even education for beginning investors.

Investment communities can foster an atmosphere of sharing as well as a sense of healthy competition based on stock picks and portfolio performance.

The Pros

Unique Perspective

Social media outlets allow individuals to share their ideas with others. Sometimes these views go against the norm and against what big news outlets are saying. Blogs, discussion boards and investment communities can provide a different view of the current market environment.

Unbiased Advice (Maybe)

While you should always be wary of advice given on these types of sites, some bloggers and community members are genuinely interested in sharing knowledge with people. They do not have the motives of a broker or bank trying to sell you stocks and investments, but

simply want to teach others what they know and generate new ideas by talking with other investors.

The Cons

Ulterior Motives

People can have a number of motives for posting comments on Web sites. *Be wary of anyone who has incredibly positive things to say about a stock.* Chances are this person owns the stock and is trying to push the price up.

Anyone Can Post

Anyone can start a blog, create a Twitter account, or join an investment community. Also keep in mind that some of the postings are other people’s opinions, not fact. You must be sure to check the source of the information before putting any weight behind it. Decisions about investing should never be made because someone blogged about it.

Noise and Too Much Information

A lot of what happens on blogs, Twitter, and other sites that rely on user-generated content is repetition and sometimes unrelated to the topic at hand.

It is also very easy to be overwhelmed by the information you can find on the Internet. While all of these sources can be helpful, too many can create more confusion. Picking a few reliable sources outside the mainstream media allows you to diversify the information you receive but will limit the information overload.

Social Media Examples

Blogs

With thousands of financial blogs to choose from, narrowing the field is difficult. Time magazine wrote a good piece discussing its top picks for financial blogs. The article includes a description of each blog as well as a link to the site. To read this article, go to www.time.com and enter “Best 25 Financial Blogs” into the search box. The most recent article was published in January of 2009. Time lists independent bloggers as well as blogs backed by big-name companies. Among those listed:

- Kirk Report is one of the oldest financial blogs (www.kirkreport.com). Charles Kirk is an individual investor who shares his analysis, ideas and links to other Web content.
- Bill Cara’s Cara Community blog focuses on capital markets. Its stock analysis is geared toward technical analysis tools (www.caracommunity.com).
- Angry Bear (angrybear.blogspot.com) is written by a half-dozen Ph.D. economists, historians, and financial professionals. The writers provide individual

perspectives on broad sectors of the economy based on their unique training.

Message Boards

- The AAI Web site offers discussion boards for members to talk about a variety of topics, including stocks, mutual funds, stock screening, AAI's Model Portfolios and more. You can access the discussion boards by going to www.aai.com/discussions/boards.
- The Motley Fool (www.fool.com) provides free message boards that are some of the more actively monitored message boards on the Web, cutting down on questionable and fraudulent postings.
- ClearStation provides message boards for discussions of technical analysis (clearstation.etrade.com).
- Yahoo! Finance provides a message board for every publicly traded company (messages.yahoo.com).

- Silicon Investor (siliconinvestor.advf.com) also provides message boards that are monitored.

Investment Communities

- Discount brokers Scottrade and Charles Schwab both offer investment communities for customers. All Scottrade customers can join their community, but only active traders can join the Schwab community.
- Social Picks (www.socialpicks.com) allows members to create profiles and share portfolios, stock picks and investing ideas with the Social Picks community. The site is free.

Twitter

AAII's editor of *Computerized Investing*, Wayne A. Thorp, CFA, tweets daily. You can become a follower by going to www.twitter.com/CI_Editor.

—Cara Scatizzi, AAI Associate Financial Analyst

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After reading, you'll thoroughly understand:

- How life cycle changes affect asset allocation
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- Keeping your portfolio in balance during retirement

The screenshot shows the AAI website interface. At the top, there's a navigation bar with links for Home, My Account, About AAI, Join, Site Map, Help, and a LOG IN button. The date Thursday, May 15, 2009 is displayed. Below the navigation bar is a search bar with a 'GO' button and an 'Advanced Search' link. The main content area is divided into two columns. The left column features a sidebar with categories like PORTFOLIOS, PUBLICATIONS, and TOOLS. The right column highlights two e-books: 'Investing Basics...and Beyond' and 'Portfolio Building'. Each e-book has a brief description, a list of key topics, and a 'Log In to Receive Your E-Book' button.

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The AAI editorial staff has compiled electronic copies of two of our most popular books. These new E-books bring complicated investment topics down to earth in a concise and conversational way. Each E-book is filled with practical ideas you can immediately put to use. The books are password-protected so you will need to use your AAI member login information to gain access to the E-Books.

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- ◆ Calculating your current asset allocation
- ◆ Making the transition to a new allocation strategy
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