



# Use Caution With Online Financial Advice

Often, the value of the advice can be worth what you paid for it – NOTHING!



By Brian Ellenbecker, CFP, EA, CPWA, CIMA, CLTC

Learning the financial ropes at a young age can be a challenge. It's important to get started early, though, as significant financial events often happen to us early in life. Perhaps you just landed your first job to help pay for school or cover other expenses. You might need to start planning to pay for additional schooling to land

that dream job you've always wanted. What should you do about student loans? What's the best way to start saving for your short- and long-term goals?

Learning the best way to approach these issues isn't always easy, as there are a lot of pitfalls you can run into. While parents and other family members, friends or teachers might be resources to learn some of this information, social media will likely also be a source you turn to at some point. It's front and center in your daily lives, and the temptation to find a quick answer to a complex problem is tempting.

Many people turn to social media for advice on numerous topics, including personal finance. TikTok and YouTube seem to have become the most prominent apps to turn to for this type of guidance. TikTok has exploded in popularity, with over 1 billion monthly active users, while YouTube has well over 2 billion. Personal Finance TikTok, more commonly referred to as #FinTok or #StockTok, is the first place many younger people look. Twitter (if it's still around by the time this is published), Reddit (Wall Street Bets lives here), Facebook, Instagram and others all have their fair share of this type of advice, too.

If you find yourself in need of some financial assistance, should you turn to social media for help? The answer: It depends.

There are many knowledgeable financial experts on social media who provide good, sound advice to their followers. Unfortunately, there are also many who give incorrect advice, some of which can get you into significant trouble – financially or even with the law. Some of the most popular advice-



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givers on any given platform are those who lure viewers in by manipulating the platform's algorithm with click bait or too-good-to-be-true headlines. The more clicks those platforms get, the more popular they appear. Their popularity could be confused with expertise on a given topic. The not-yet financially savvy could unknowingly become victims of following bad advice.

While you can easily find bad advice on any number of financial planning topics, I tend to see some of the most egregious on the topics of

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cryptocurrency, taxes, real estate investing and “can’t miss” stocks. For younger individuals who don’t have a lot of experience in these areas, the potential to be taken advantage of is high. Whether it’s the next “to the moon” stock or cryptocurrency, incorrect tax advice or the questionable application of certain real estate-related tax breaks, there is no shortage of advice that can lead you astray. The consequences of following this advice could be severe. Most often, you might learn a lesson and suffer only a small financial loss, if at all. In extreme cases, you could experience significant financial harm. I’ve even seen advice that could result in significant legal action, with the worst-case scenario being the potential for owing significant back taxes — and/or prison time.

Not all advice is intentionally harmful. Most of these videos need to be short and to the point, so the TikToker or YouTuber doesn’t always have time to cover the nuances of a situation. While the blanket advice might be appropriate for some, it may not be for others. There can be a lot of “it depends” scenarios in financial planning. Take the lease vs. buy decision when purchasing a car, which can be the largest financial transaction a person makes after college. For many people, purchasing a car outright will make more financial sense. However, if someone drives only a modest number of miles, doesn’t want to worry about significant repairs popping up or wants a new vehicle every few years without worrying about trading in, the convenience of a lease may outweigh some of the financial benefits that purchasing might offer. If a purchase is the way to go, should the buyer pay cash or take out a loan? The decisions keep coming and can feel daunting.



It’s unlikely a 30-second TikTok video is going to be able to cover all considerations.

You might also find online advice that is good in theory but much more nuanced in practice. A recent example I saw on TikTok teased “How to make \$10,000/month at 18 years old.” Naturally, this is an appealing proposition for nearly any young adult

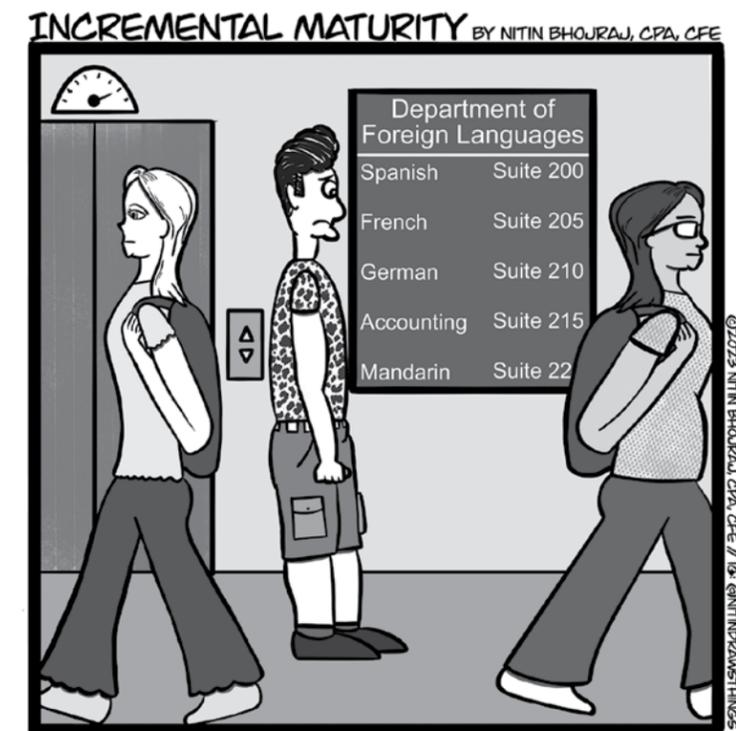
just getting started. The idea is to wholesale rental property by finding a run-down house, tracking down the owner, making an offer and putting it under contract, then finding an investor to select the contract for \$10,000. Sounds great — right? But any seasoned real estate investor will tell you that it could be very difficult to find a buyer, as it’s usually a very competitive market. You typically have to put money down to sign a contract to purchase a property, so if you’re unable to sell it because you can’t find an investor, you could end up losing the deposit. For a young person who doesn’t have a lot of experience and potentially little to no financial backing, the results of this transaction could set you back years or decades in your financial progress.

For those who have more experience dealing with these types of situations, you may roll your eyes at some of the previous examples and know it’s time to quickly move on. However, if this is your first time having to make a serious financial decision, it’s not as easy to sort through good and bad advice. Even the most experienced or savvy experts today most likely learned a lesson or two the hard way.

Like any source of advice you seek, advice on social media has its positives and negatives. It can be a great place to start, but be sure to seek out advice tailored to your personal situation from a trusted advisor before making a big decision.

Depending on your situation, sometimes parents, other family members, friends or teachers may be able to help. When making a more significant or complex financial decision, you may want to consult a trained professional, such as a financial planner, accountant, financial advisor or attorney. Your parents or other family members may already have an expert they work with who is willing to spend a few minutes with you to help educate you on your issue. Spending a little time and/or money upfront to ensure you make the right decision can save you a lot of money and potential trouble down the road.

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