Gen Reddit: Where next for the investors fed by social media?

An analysis of how social media and young investors are reshaping the sector, plus expert predictions for 2022.

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Introduction

The year 2021 has seen an explosive combination of lockdown boredom, more apps offering cheap access to share trading, and social media posters offering more reasons to trade. But is the resulting boom in young investors driven by social influencers a quick flash, or a seismic shift that's rocked the sector for the long term? And either way, is social media the only way to serve this audience?

To explore how people research the stocks they plan to invest in, Finder surveyed 2,000 Brits in October 2021. We found that 51% of investors use social media for this research and that 36% of those who described themselves as beginners have put money into risky investments such as CFDs, options, futures and cryptocurrencies. And while social media is not known for its reliable information, more than 20% of investors use it as their only source for research.

The trend has been growing for a while. Reddit forums have been used to discuss investments for nearly a decade - r/wallstreetbets was created in 2012 by Jaime Rogozinski. In October 2012, the forum had 1,557 subscribers but by October 2021, it was 10,968,210. Using forums like Reddit to seek out stocks to invest in surged in popularity in January 2021, before and during the GameStop short squeeze, when interest in riskier investment types also surged.

TikTok also gained traction in the early months of the first UK lockdown in 2020. Alongside those creating content about recipes, pets and how to fold your laundry, FinTok creators shared their portfolios. It's easy to dismiss TikTok and the FinTokkers, but this is where many new investors are going.

We've spoken to 6 experts about the boom of Reddit and "meme" stocks, and the new generation of investors; 2 of our 6 are influencers (on TikTok, and on Instagram) who believe in highlighting risks. Another of the 6 is the founder of a new platform, Shares, that aims to meet the need to involve social discussion with investing. All our experts share their predictions for 2022, and we share more of our research.

The content that will be discussed is intended for information and educational purposes only and should not be considered investment advice or investment recommendation.

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Charlie Barton, growth manager, **Finder**

Charlie has worked at Finder for more than 4 years. He has a first class degree from the London School of Economics. As the former investment publisher at Finder, Charlie is regularly quoted in the national press about investments and cryptocurrencies.

Benjamin Chemla, CEO and co-founder, **Shares**

Benjamin is a co-founder of Shares, a social investment app that is set to launch in the UK. He was inspired by his own experience as a retail investor and set out to create a platform that combines the functionality of an investment app with the wisdom of online forums.

Makala Green, founder, **Green Wealth Planning**

Makala is a chartered financial planner and founded Green Wealth Planning Ltd. She also provides financial guidance and tips on her Instagram account @TheWealthCheck.

Nikolai Hack, head of strategy and partnerships, **Nucoro**

Nucoro is a digital investment platform for financial institutions. Nikolai has an MSc in Political Economy from the London School of Economics.

Ben Laidler, global markets strategist, **eToro**

eToro is a multi-asset investment platform that aims to empower people to grow their knowledge and wealth as part of a "global community of social investors".

Elvire Mavusi Matu, **@savewithelvs**

Elvire is a content creator on YouTube, TikTok and Instagram with the handle @savewithelvs. She started giving finance tips in September 2019 to help people save money. By day, she is an events and community manager.

What are the long-term implications of "meme" stocks?

Charlie Barton, Finder

The meme stock boom has forced institutions to engage with trends that have currency with young people. Obviously it's often very silly and ridiculous, but that's what works. People increasingly want things to be entertaining, and not just dry documents and statements with zero character. Memes are the new fundamentals, which is equally scary and funny.

Nikolai Hack, Nucoro

Contrary to many observers, I think there's almost only positive aspects to the whole story. Primarily, for a lot of people this was the first interaction they had with the stock market and investing. Given the importance of investing to beat inflation and preserve purchasing power in the long run, and knowing first hand how hard it can be to get people to engage with their personal finances, I take every engagement as a win. While it's certainly the case that some people lost some or even a lot of money (the stock market is a zero sum game after all), losing is sometimes unfortunately part of the learning curve when it comes to personal finance.

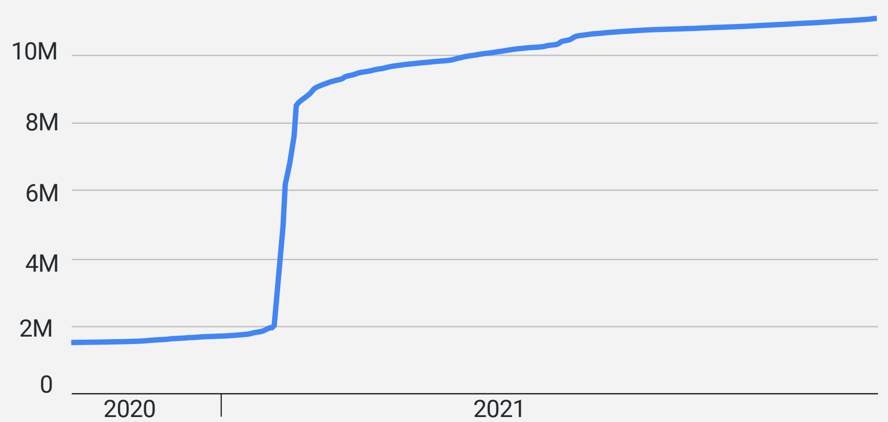
Makala Green, Green Wealth Planning

The internet forum is driving a new phenomenon within the digital age community, which means investors are likely to not be experienced, which can be extremely risky. Many invest purely for monetary gain with little knowledge of investing, leading to unknowingly taking on too much risk and potential losses. Considering the above, it's fair to say that meme stocks are a boom waiting to bust, but with social media continually forming such an integral part of everyday life for gen Z, it is unclear how long meme stocks will be around or the next trend that will take over.

Benjamin Chemla, Shares

In many ways the pandemic created the perfect storm for people to start investing - space to think, time online and public focus on markets. For many, I think it gave them space to consider the future and at the same time the pandemic was causing havoc in markets and that raised public awareness. As life gets back to normal we'll find that trends in investing are sticky and user growth is only set to continue. Retail investing apps have a lot of growth ahead and consumers will increasingly look for new and better ways to invest over the long term, not just short-term returns through so-called meme stocks.

Subscribers to r/wallstreetbets on Reddit
24 October 2020 - 24 October 2021



Source: https://subredditstats.com/r/wallstreetbets

How will social media impact the sector in 2022 and beyond?

Nikolai Hack, Nucoro

Successful social media content is built around stories and narratives, not so much around facts and data. The meme stocks took off with an audience that wanted to stick it to an industry they perceived to be acting against society's best interests. While not very long lasting or impactful on the industry as a whole, it's a dynamic that cannot be ignored. The role of influencers in topics like finance and investing is constantly on the rise. This is true for the YouTube vlogger or Instagram personality with their more or less well intentioned stock recommendations, as well as for the likes of Elon Musk, sometimes unwillingly moving cryptocurrency markets through his comments on Twitter.

Ben Laidler, eToro

Retail investors have become an increasingly important investment force, and both companies and the investment industry need to focus on engagement and providing tools to educate. According to eToro's Q2 Retail Investor Beat survey, 21% of retail investors only started investing in the last 2 years, since the start of the.. pandemic. Therefore, to keep these retail investors engaged and help them become more familiar with different investment vehicles, it's important to support them as they become more experienced.

Elvire Mavusi Matu, @savewithelvs

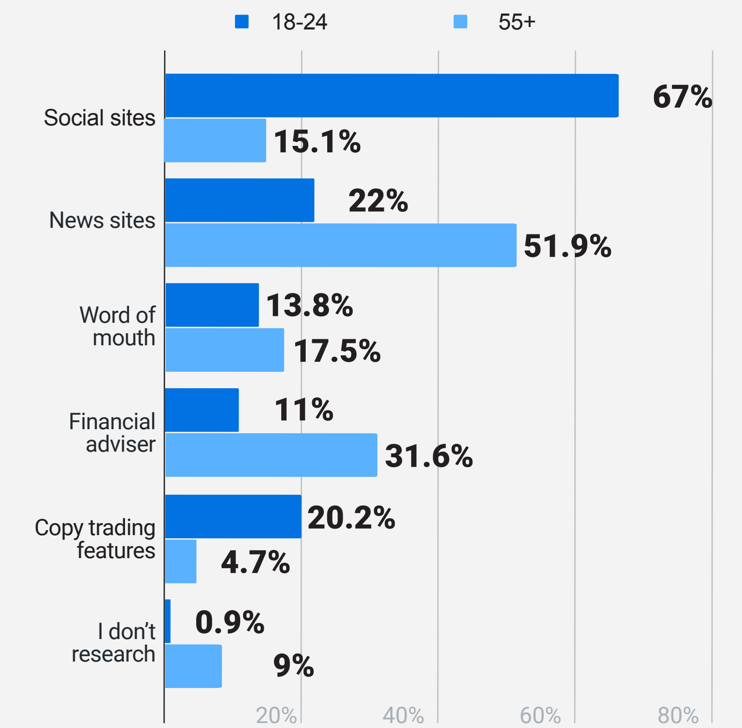
Social media has had a large impact on investing; from Instagram to Tik Tok, financial influencers are sharing investment tips. Investing services used to only be available to the wealthy, who could afford the fees. Fintechs are now emerging left, right and centre on social media and are opening the door to a new range of demographics. Some allow you to invest with as little as £1. Information is now easily accessible, especially on social media, which can pose some risks and challenges to investors.

Benjamin Chemla, Shares

Armed with social media, everyday investors can affect the allocation of billions of investment dollars around the world. Unfortunately, investors are far too often misled by unregulated and unfiltered social media platforms that can result in poor investment decisions.

Done correctly, social media can become an asset for users, creating not only educational but also financial returns for everyday investors. There's a real appetite among today's investors for regulated content and social media tools to make better long-term investment decisions.

Where people research their investments



Source: Finder survey, October 2021

Does this new generation's type of trading affect stock volatility?

Charlie Barton, Finder

Maybe, but does that even matter? I don't think volatility has any relationship with risk. That being said, I think retail investors having more clout is ultimately just another variable that the institutions will adjust for and find a way to make money around.

Nikolai Hack, Nucoro

I don't have hard facts about the implications on overall volatility levels, but one could argue that increased volatility is the whole point of the exercise. For GameStop and AMC Entertainment, the two most famous subjects in the meme stock boom, it certainly has made a difference to the companies. Both stocks are still up hundreds of percent from where they were a year ago, and both firms have issued new equity and raised fresh capital that might enable them to restructure what looked like an otherwise very bleak business situation. It remains to be seen what happens to investor sentiment in an actual bear market. I can very well imagine that a declining belief in the market as a whole will also mean more rapid volatility to the downside for these stocks.

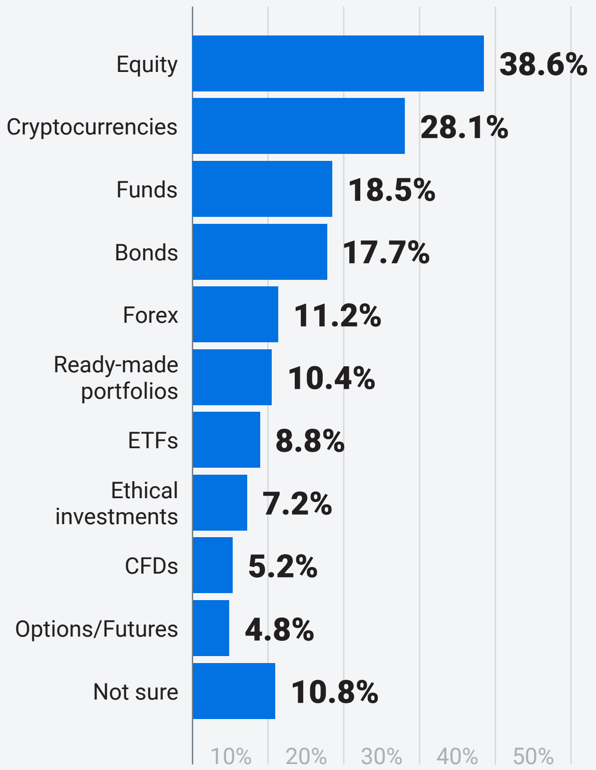
Ben Laidler, eToro

We have clearly seen an impact on certain stocks, such as GameStop, for example. But in general, retail investors are not driving stock volatility. eToro's Global Retail Investor Beat survey showed only 5% of investors were trading stocks on a daily basis in Q2. In fact, the majority either traded only monthly or even less, buying and holding for over a year.

Makala Green, Green Wealth Planning

A prime example of new-gen investors affecting stock performance is meme stocks - first seen at the beginning of 2021 - which caused market volatility. Recent market volatility around meme stocks awakened many people to the possibility of investing. Some watched from the sidelines while others jumped right in. 55% of gen Z made a trade in the first three months of 2021, according to Fidelity. One of the core factors that has recently encouraged more of gen Z to invest is poor interest rates and the mindset of getting rich quickly, which has led to short-term investing. According to a Barclays study, 21% say they invest to "take advantage of the market" and 16% plan to "play the markets" to make fast profits.

What do people have investments in?



Source: Finder survey, October 2021

Do you think more personal finance should be taught at school?

Charlie Barton, Finder

To an extent yes, but it is already being taught. It's a funny one though, because I'd say it's pretty hard to understand most personal finance topics until you actually start receiving a monthly salary or making money yourself. If the lessons were "go and make money, here are some ideas" then that could be interesting, but teaching things that are theoretical about tax and ISAs to a teenager? Probably not.

Nikolai Hack, Nucoro

Personal experience is hard to beat in terms of learning outcomes, even with a complex topic like the stock market or personal finance. From my own experience of many years of formal education, traditional curriculums fail miserably to instil high levels of interest, let alone enthusiasm, for anything in most children, no matter how well-meaning the individual educator. I fear the opposite of the intended effect could be the outcome and would prefer it if schools stayed out of the subject.

Makala Green, Green Wealth Planning

Most definitely! There is so much value in learning personal finance from a young age. It will help with basic budgeting, financial management, general investment knowledge and preventing fraudulent scams and unnecessary financial risk. A Fidelity survey found that 59% of gen Z stated they were more motivated to start educating themselves about trading and investing, and were more excited by it because they see how it can impact their money.

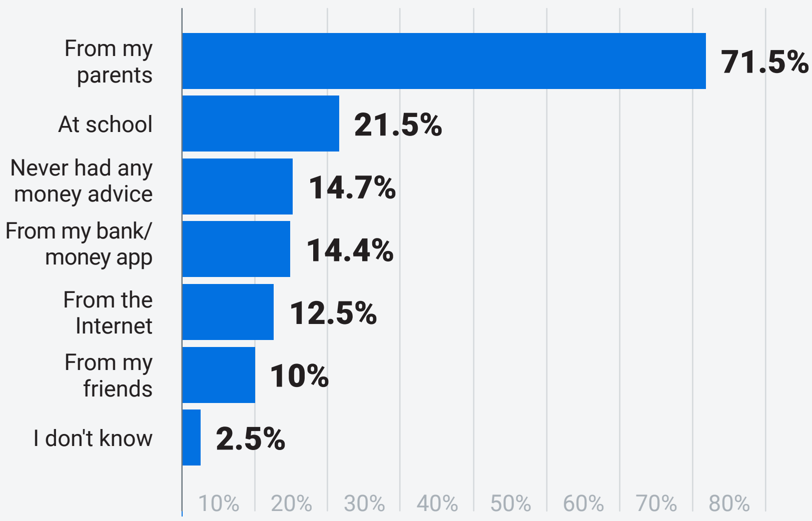
There should be more consistency in the educational curriculum for personal finance to ensure all children have the fundamental financial skills they will need in adult life. It should form one of the core subjects in more senior years. Schools should also work with financial professionals to ensure their learning is efficient and effective.

Benjamin Chemla, Shares

The biggest barrier to first-time investors remains an information gap, which must be closed to make investments safer and more profitable over time. The introduction of personal finance at school, for everyone to have the best start to make personal financial decisions from early in life, should be encouraged.

Improving awareness and education is critical to long-term financial wellbeing, so that young people understand how to avoid risks that can lead to financial difficulties.

Where children have received money advice from



Source: Finder survey of children aged 10-15, July 2021

What are your predictions for the investing sector in 2022?

Elvire Mavusi Matu, @savewithelvs

Investing has become such a hot topic for beating inflation and apps such as Plum, Chip, Vanguard and Freetrade have made it so much easier. I think more people will discover investing, especially with the presence of social media and new fintech apps. Information is now more accessible than ever, including information on how to invest as well as understand the risks. Apps and Instagram pages help break down investing and more visibility will drive a new generation of investors.

Charlie Barton, Finder

I expect that crypto will probably drive the most action. NFTs and cryptocurrencies continue to be the most exciting area of finance, with any associated companies also tending to be the ones to watch in the normal stock market.

Ben Laidler, eToro

The new investors are likely here to stay, underpinned by structural changes to online investing communities, investment platforms, commission-free trading and fractional ownership, etc. They also generally invest in slightly different types of stocks. For example, somewhat smaller companies that are more high-growth focused and better known to individual investors, either from the high street or those that are consumer focused.

Makala Green, Green Wealth Planning

I believe the new generation investors' ways of transforming the investing sector have only just begun. They are the first true digital age generation and the power of technology is taking over the world. Gen Z will continue to follow investment trends and take their chances with investments sparked by social media. I believe we will see a rise in more sustainable investing that ties in with gen Z's beliefs. Likewise, we can see major changes in video gaming stocks as the sector is well placed to benefit from gen Z's increasing consumer buying power.

Benjamin Chemla, Shares

Today's consumers increasingly look for impact in everything they do and direct spending towards products that affect positive change in the world, whether that's around poverty, diversity or climate change. Everyday investors are no different in their ambition to do more than put their savings to work in the stock market for financial returns, but also for meaningful change, to feel empowered in the fight against global warming.

Gen Z will continue to follow investment trends and take their chances with investments sparked by social media.

Makala Green, Green Wealth Planning

About Finder

Finder is a personal finance website which helps consumers compare products online so they can make better-informed decisions. Consumers can visit the website to compare bank accounts, mortgages, credit cards, insurance products, share dealing platforms, shopping voucher codes, and so much more before choosing the option that best suits their needs.

finder.com/uk launched in the UK in February 2017 and is privately owned and self-funded by two Australian entrepreneurs - Fred Schebesta and Frank Restuccia - who successfully grew finder.com.au to be Australia's most visited personal finance website (source: Experian Hitwise).

In October 2021, Finder commissioned Onepoll to carry out a nationally representative survey of 2,000 adults aged 18+, to explore investing habits. In July 2021, Censuswide surveyed 1,000 children aged 10-15 on behalf of Finder, to explore their experience of money and money management.

For all media enquiries, or for additional comment, contact matt.mckenna@finder.com.

About the author

Zoe Stabler is a writer for Finder specialising in investment and banking. Zoe has a BA in English literature and several years' experience writing about all things personal finance. Before embarking on her journalism career, she worked as a management accountant.