

Millennials use tech tools to jump into investing

January 22 2015, by Patrick May, San Jose Mercury News

It's the Facebookification of financial investing. From social networking platforms that allow young investors to follow each other's stock-picking mojo, to websites for first-timers hungry for a piece of the Silicon Valley venture capital pie, to mobile apps that let 20-something hipsters find equally hip financial planners, the millennial generation is embracing new tech tools to put their newfound wealth to work.

And while some experts worry that tech-obsessed newbies will repeat their elders' mistakes by following the virtual stock-picking herd, many others believe the furious pace of innovation in financial technology will fundamentally change the way this new generation of [investors](#) tries to make its money grow.

Instead of getting that hot stock tip from a friend on the golf course, then pondering and eventually calling a broker to buy shares the old-fashioned way, they can with a few clicks of a smartphone app instantly bring up a company's financial numbers and analysts' reports as well as advice from a sprawling network of fellow investors. And a recent study showed that millennials - a group defined as people reaching adulthood around the year 2000 - prefer using online tools to do their investing more than other age groups.

"A lot of people my age are hesitant about jumping into the markets just a few years after the recession," said 27-year-old investor Greg Thomas, who works in accounting. "But more and more of us are using social media tools to swap tips, and it's nice to learn together. It almost feels

like a classroom where you can share ideas with people your own age and together see what works and what doesn't."

Thomas' go-to guide is called Tip'd Off. The Bay Area social networking startup's website and soon-to-be-launched mobile app describes its platform as a place where investors of all levels of experience can gather to share tips and information, show off their own brokerage portfolios, and maybe even mimic those who seem to have a knack for picking winners.

CTO Ankush "Koosh" Saxena, who at 25 has already earned a master's degree in electrical engineering, interned at Stanford's linear accelerator and worked full-time at Lockheed, said Tip'd Off brings a sense of ease and transparency to millennials whose trust was shaken by the financial excesses and failings that spawned the Great Recession.

"We saw that millennials tended to be overly conservative," he said, "so we wanted to give them a tool to learn more about investing over a medium they were already comfortable with."

That "comfort," say the founders of Tip'd Off, comes from letting novice investors use a platform they're already well-acquainted with - social networking - to follow other seasoned investors as they make real-time trades and to essentially see how successful their strategies are.

With a crowdsourcing tool like that, Los Angeles jobs consultant Rokshan Shafiel, 27, said, "I can have conversations with other people and learn how to trade." But even this millennial realizes that these easy-to-use tools can lead to unrealistic expectations for quick success: "We have to learn to have patience," she said. "Our generation is so used to getting things fast nowadays."

Tip'd Off has lots of company in the modern investment space. So-called

"knowledge-share" technology is exploding, along with savings apps like Acorns, payment-sharing tools like Venmo, stock-trading platforms and alternative-investment startups. Meanwhile, new products provide investors with everything from crowdsourced star-ratings for stocks (Vetr) to alternative lending platforms (Upstart) to technology that compares financial advisers (GuideVine). Often, the services are free to use at first but fees are charged once you actually get a loan or hire a planner.

Not everyone embraces the new approach. Alan Moore, a 27-year-old certified financial planner whose clients are often in his own age group, said a little caution is prudent.

"Going into and out of stocks because you're just following other young investors can kill your returns and cost you a ton in fees and taxes," he said.

"Tech has its place, but we need to keep the gamification away from investing," said Moore, referring to the use of game-playing elements, like scoring and rewards, to online activities like stock-picking.

"Everyone wants investing to be exciting, but my job is to make it as boring as I can, and that's a hard concept to get through to people, especially [young people](#) in a place like Silicon Valley, where they're moving from one high-risk venture to another."

Still, the appetite for these technologies seems to be voracious, as more and more young people decide to jump into the investment game. Despite any post-recessionary hesitancy that Thomas and others may see in their fellow millennials, a recent survey by BlackRock revealed that younger Americans are substantially more confident about their financial future (66 percent positive) than other [age groups](#), with less than half of baby boomers (45 percent) expressing similar a confidence level.

"Overall," said the study's report, "millennials are the most confident age group in the U.S."

The same survey showed millennials are more bullish on stocks than their parents, an indication that many 20-somethings have already put the recession behind them. And they spend more time poring over their investments - about seven hours a month, compared with the national average of about four hours - while baby boomers average only about two hours per month.

"A lot of millennials are coming into money, either passed down or from jobs where they're already making more than their parents ever did," said Sang Lee, CEO and founder of DarcMatter, a platform offering retail investors access to traditionally exclusive investments such as startups, VC and hedge funds. "And many of them have a lot less faith in traditional asset classes like stocks and bonds after what happened in 2008. They've got more access to information today and they're making more proactive choices instead of just relying on a financial adviser."

Those choices could mean betting on an IPO, buying into a hedge fund or investing in a real-estate limited partnership.

Despite the wealth of knowledge at everyone's fingertips and the ease of getting real-time investment guidance on the go, some veterans in the field worry about millennials getting burned by their technological exuberance. Asked about apps that encourage investors to follow each other a la Twitter, some experts say [social networking](#) technology might actually foster a potentially devastating and impulsive herd mentality, especially if young people are risking more than simply their discretionary dollars on stock trades.

Meir Statman, the Glenn Klimek professor of finance at Santa Clara University whose research focuses on behavioral finance, said an app

like Tip'd Off might encourage investors to "post only their stock-picking successes and brag about them while they keep the bad ones to themselves. So others might get the impression that there are all these geniuses out there and then follow them down the abyss."

As Statman puts it, "if Joe buys Apple and Gerry seconds that and Ann does the same and then you plan on buying Apple based on that, you first have to ask yourself: 'Who is the idiot on the other side who is selling?'"

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