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How Social Media Are Changing Money Management

By Philip M. Fogel

In finance, social media are emerging as vital channels for communication and information exchange. Get on board.

Many people in this country have lost trust in wealth managers over the past eighteen months and are looking for new ways to educate themselves about investing. Considering the explosion of social media outlets in the past few years, it is no surprise that investors are using platforms such as YouTube, Twitter and blogs to find answers to their pressing concerns.

Instead of having to make the acquaintance of money managers in intimidating face-to-face meetings, they can first get to know wealth management firms through social media. By shadowing investment advisors for a period of time, an investor can explore investment philosophies, get a feel for a firm or an advisor's personality and more easily decide whether or not a particular wealth management firm is a good fit for them.

The Internet has once again bred a new communications channel that enables greater direct interaction between wealth managers and individual investors than ever before.

A year ago I was dubious about the possibility of using social media tools as a viable way of obtaining information and staying on top of the markets. Today I find that social media channels are impossible to ignore. That is where a great deal of the conversation is happening. Even though it is in its infancy, our digital marketing program has provided a new way to reach people and serves as a lead nurturing tool for our firm.

Smartphones are allowing us to send and receive information very quickly throughout the day, and I am not just talking about e-mail. I "tweet" observations on the economy and the financial services industry on behalf of my firm, while reading what the people we "follow" are saying. This includes reporters and editors at the top business newspapers and websites, as well as colleagues at other investment firms. Skimming our Twitter feed throughout the day provides me with diverse perspectives of the market and the impact of events on the world at large. I no longer seek out the news; the news comes to me, and I am able to choose what interests me in a much more efficient way.

Twitter has another distinct benefit as well. In addition to feeding me information, it enables me to interact with our audience of "followers," which may include potential clients. I can float out concepts and ideas in 140-character bursts and receive instant, unbiased feedback, both positive and negative. Recently I've been using Twitter to gauge the interest of middle-market investors in the concept of a "black shoe" firm, a self-described firm that is the antithesis of the traditional "white shoe" firm. I'm also able to gain an understanding of the frustrations investors often experience when interacting with wealth managers and investment firms.

Twitter has become an essential tool for initiating conversations about the industry so that my firm can learn more about what people are looking for in a financial advisor, but more importantly it keeps me informed on what people are talking about. Using the Twitter search function, I can monitor a topic throughout the day to see what people are saying about it. To better understand what I mean, I suggest a simple exercise. The next time you plan to watch a major event, be it the NHL playoffs or a congressional testimony, try watching the event on Twitter by leaving a live search of the keyword open. It will be eye-opening to see the commentary on the event in real time.

Social Media: The New Broadsheets

You can barely go online to check your e-mail and the weather without running into a "news" blog of some sort. I use the term "news" loosely--it's a catch-all phrase to describe the role blogs play in the information flow. The "news" that is offered can be opinionated and biased. The bottom-line is that many blogs have become must-reads on a daily basis for people who closely follow the news and currents, replacing traditional print.

The definition of "news" can mean different things to different people. News can be straightforward reporting from Forbes or The Wall Street Journal, but it can also be market guidance that is blogged or tweeted by your personal financial advisor. You decide what your news looks like.

Investing your personal wealth is serious business. Social media may seem to be faddish and frivolous tools for celebrities and sports heroes to keep you from thinking about anything consequential, but, especially in the world of finance, they are emerging as vital channels for communication and information exchange.