

Could Fake News Affect Your Finances?

Absolutely, it could. And that's always been the case.

By [Geoff Williams](#) | Contributor Feb. 28, 2017, at 11:51 a.m.



Be an avid consumer and don't rely on one or two outlets for all of your news. (GETTY IMAGES)

Fake news has been in the news a lot lately. But [fake news](#) is old news. Supermarket tabloids have been around for almost as long as supermarkets. Celebrities often find themselves the unwitting victim in a death hoax. During the 1800s and early 1900s, it was somewhat common for fake news agencies to sell stories to editors, many of whom were practicing yellow journalism and publishing sensational stories (yesterday's version of today's click-bait headlines). As an Indiana newspaper (The Martinsville Morgan County Gazette) lamented on August 26, 1893: "There is so much 'fake' news, now-a-days, from country correspondents to city papers, that it is hard to separate the counterfeit from the genuine."

But it may be helpful to your wallet to remember that fake news doesn't only apply to invented stories about your favorite or least favorite politicians. If you aren't careful, you can be duped by fake economic news and make decisions that could quickly empty your wallet. If you're at all concerned, keep a few things in mind.

Fake news comes in many forms. Fake news is a term that often applies to completely fake news stories written to [fool people](#), but it's been used to describe gossip and rumors and actual news stories that have errors in them. President Donald Trump often refers to various media organizations as fake news.

<http://money.usnews.com/money/personal-finance/saving-budget/articles/2017-02-28/could-fake-news-affect-your-finances>

[Misinformation](#) might be a better term to use, although for now, fake news is in vogue.

And fake news doesn't have to come from the media. Crowdsourcing websites, where consumers can learn more about stocks, sometimes serve up fake news, points out Ajay Patel, a finance professor at the Wake Forest University School of Business in Winston-Salem, North Carolina.

On these sites, Patel says, "it then becomes easy for a person to use different pseudonyms and push out fake news articles that appear to be legit because multiple sources are indicating the same story. The reader, being unaware that the same person has used different pseudonyms to basically write the same story, might treat that as legitimate and trade on the news."

This type of thing has been happening for a while now. For instance, in 2000, Emulex, a network connectivity company, lost 60 percent of its stock's value after financial news wires picked up and ran a fake press release that had been placed online.

Your biases may be working against you. If you have a certain worldview and never question it – well, that could blow up in your face.

Michael Chadwick sees that a lot. Chadwick, a certified financial planner in Unionville, Connecticut, says that he has seen clients who "think the world is coming to an end, the dollar will be worthless, inflation will go crazy ... We've seen very smart people get sucked into thinking many crazy things are going to happen, when in reality they're simply a product of what they've been taking in, typically in outrageous quantities for some time."

Chadwick says that a lot of "gold bug" companies have produced videos and websites "that scare the bejesus out of the public."

Gold bug, if you're not familiar with the term, refers to someone who supports the gold standard and believes that the best, most stable investment is in gold.

Of course, if that's your mindset, you may not consider a video promising that gold will keep you solvent as the economy crumbles around you as fake news. But Chadwick, who does see that as fake news, says that he has had a few clients start to sink as much as \$100,000 in sketchy gold and end-of-the-economy type of investments before he was able to convince them to put a stop to what they were doing before any checks were cashed.

"People need to be very careful what [news sources] they consume," Chadwick says.

Your best defense is to be an avid consumer of news. The most effective way to [protect yourself](#) from falling for fake news is to have a varied media diet and not rely on one or two outlets for all of your news.

"Check the story with multiple reputed sources," advises Vic Patel, the founder of Forex Training Group, a company that provides advice to currency market traders. "It's much better to make an investment decision based on reliable research than through an emotional reaction to a

particular news story. Most importantly, do not rely on any viral sources, as they may simply be spreading stories without corroboration."

David Primo, an associate professor of political science and business administration at the University of Rochester in Rochester, New York, agrees.

"I think the message to investors should be, 'Don't base your investment decisions on social media, period,'" Primo says.

Primo also points out that "financial markets are [information sponges](#)."

"If the news on Twitter is real, then professional investors tracking social media with powerful technology have already traded based on that information, so the price you pay when you trade will already reflect that information," he says. "If the news is fake, well, you've saved a lot of money by not investing."

"Using the news as a sole source of investment analysis is a common investor mistake," says Bob Stammers, director of investor engagement for the CFA Institute, an association for chartered financial analysts.

He echoes Primo's point that information that is public is already factored into market pricing, and Stammers says, "Successful and seasoned investors gather information from several independent sources and conduct their own proprietary research and analysis."

In other words, before you make any financial decision based on what you're hearing in the media, the safest course of action is to also solicit an opinion from a trusted professional, like your financial advisor, financial analyst, attorney, tax accountant, banker or whomever seems appropriate. After all, even if the news is accurate, and it's a [good time](#) to buy a house or purchase stocks, that doesn't mean it's a good time for you