The young and the reckless: high risk investing on the rise

The FCA's recent report on investing trends among young investors has revealed alarming levels of risk-taking. Young and newbie investors are increasingly getting involved in cryptocurrencies, forex, and meme-stocks hoping to generate rapid profits while ignoring the risks involved.

The research carried out by the Financial Conduct Authority claims there are clear signs such high-risk investing is **not suitable for the general publi**c. According to the study, 59% of respondents claimed that any significant loss would adversely affect their lifestyle. As any seasoned investor or trader would say, risking more than one can afford to lose is considered a cardinal sin.

Lack of knowledge and understanding

It is interesting to note that young investors display a great deal of confidence in what they're doing and claim to be rather knowledgeable about the markets. Yet 40% of respondents do not consider 'losing some money' a risk. Absent the required technical knowledge, most of these investors simply **rely on intuition or the media to make trading decisions**. 78% of the respondents indicated that they rely on gut feeling alone to determine the 'right' buy and sell levels.

The FCA's responsibility

When investors start exhibiting a particular behavior, the market caters to their requirements. Recent trading frenzies have made it easier for marketers to target these investors. Many are increasingly tempted to invest in high-risk products that aren't necessarily suitable for them. The FCA has already **banned the mass-marketing of speculative securities** to retail investors. But does more need to be done?

Sheldon Mills, Executive Director of Consumer and Competition at the FCA, believes the watchdog agency has a **responsibility towards investors**. The FCA is considering whether today's young investor is a vulnerable consumer and needs protection. This time last year, the agency vowed to protect vulnerable investors in its business plan. From what the study has shown, young investors are behaving irresponsibly and are not taking the right approach to investing. The FCA already runs investment harm campaigns and the data extracted from the study will help them reach and protect the vulnerable investor more effectively.