

SUBJECT: Questions You Were Afraid to Ask #10 – What are the pros and cons of investing apps?

The only bad question is the one left unasked. That's the premise behind many of our recent letters. Each covers a different investment-related question that many people have but are afraid to ask. So far, we've discussed the essentials of how the markets work, the differences between various types of investment funds, and the ins and outs of stocks and bonds.

A few months ago, however, we were asked a question not about *investments* but *investing*. Specifically, they wanted to know our thoughts on the modern trend of using **mobile investing platforms** — aka “investing apps.”

It's a terrific question, because the use of such apps — and the number of apps available — has exploded in the past few years. So, in this message, we'd like to continue our series by answering:

Questions You Were Afraid to Ask #10: What are the pros and cons of investing apps?

Mobile investing apps enable people to buy and sell certain types of securities right from their phone. They have provided investors with a quick and easy way to access the markets. For new investors who are just getting started, these apps have made the *act* of investing more accessible than ever before.

That's a good thing! Even today, many people only invest through an employer-sponsored retirement account, like a 401(k). That's because they may lack the resources, confidence, or ability to invest in any other way. But not everyone has access to a 401(k). And while 401(k)s are a great way to save for retirement, many people have *other* financial goals they want to invest for, too. Mobile apps provide a handy, ready-made way to do just that.

Continuing with the accessibility theme, many apps enable you to invest right from your phone, anytime, anywhere. In addition, many apps don't require a minimum deposit, so you can start investing with just a few dollars. Finally, the most popular apps often charge extremely low fees – or even no fees at all – to buy or sell stocks and ETFs.

Many apps also come with features beyond just trading. Some apps will help you invest any spare change or extra money, rather than let it simply lie around in a bank account. Others enable you to invest automatically – daily, weekly, bi-weekly, monthly, etc. That's neat, because investing *regularly* is a key part of building a nest egg.

It's no surprise, then, that these apps have skyrocketed in popularity. In fact, app usage increased from 28.9 million in 2016 to more than 137 million in 2021.¹ Part of this surge was undoubtedly due to the pandemic. With social distancing, many used the time to try new activities and learn new skills from the safety of their own home...investing included.

But before you whip out your phone and start trading, there are some important things to know, first. Investment apps come with definite advantages...but also some unquestionable downsides. When you think about it, an app is essentially a tool. Like any tool, there are things it does well...and things it can't do at all. And, like any tool, it can even be dangerous if misused.

The first issue: the very accessibility that makes these apps so popular is also what makes them so risky. When you have a tool that provides easy, no-cost trading, it can be *extremely* tempting to overuse it. Researchers have found that this temptation can lead to overly risky and emotional

decision-making, as investors try to chase the latest hot stock or constantly guess what tomorrow will bring.² The result: Pennies saved on fees; fortunes potentially lost on speculation.

The second and biggest issue is that while these apps make it easy to *invest*, they provide no help with actually reaching your financial goals. No app, no matter how sophisticated, can answer your questions. Especially when you don't even know the questions to ask. No app can hold your hand and help you judge between emotion-driving headlines and events that necessitate changes to a portfolio. No app can help you determine which investments are right for *your* situation. Just as you can't hammer nails with a saw, or tighten a bolt with a screwdriver, no app can help you *plan* for where you want to go and what you need to get there.

Take a moment to think about the goals you have in your life. They could be anything. For instance, here are a few our clients have expressed to us over the years: **Start a new business. Visit the country of their ancestors. Support local charities and causes. Design and build their own house. Play as much golf as possible. Volunteer. Visit every MLB stadium. Send their kids to college. Read more books on the beach. Tour national parks in a motorhome. Spend time with family.**

Achieving these goals often requires investing. But there is more to investing than just buying and selling stocks. More to investing than simply *trading*. Investing, when you get down to it, is the process of determining what you want, what kind of return you need to get it, and where to place your money for the long term to maximize your chance of earning that return. It's a *process*. A process that should start now, and last for the rest of your life. A process that an app alone cannot handle – just as you can't build a house with only a saw.

So, our thoughts on mobile investing apps? They are a tool, and for some people, a very useful one. But they should never be the only one in your toolbox.

In our next letter, we'll look at two other modern investing trends. Have a great month!

Sincerely,

Catherine A. Morrison, CFP®
Founding Partner
Senior Vice President
CA Insurance License Number: 4127618.
Resident State TX

Michael M. Mewborne
Founding Partner
First Vice President
CA Insurance License Number: 0K34052.
Resident State TX



Conservant Capital of Conservant Financial
434 N. Loop 1604 West, Suite 2203
San Antonio, TX 78232
Phone: 210-728-3455
Txt: 830-476-0053
catherine.morrison@wfafinet.com |
www.ConservantCapital.com



Conservant Capital of Conservant Financial
434 N. Loop 1604 West, Suite 2203
San Antonio, TX 78232
Phone: 210-728-3456
Txt: 210-972-4455
michael.mewborne@wfafinet.com |
www.ConservantCapital.com

[PM]-10032027-5361767

¹ "Investing App Usage Statistics," *Business of Apps*, January 9, 2023. <https://www.businessofapps.com/data/stock-trading-app-market/>

² "Gamified apps push traders to make riskier investments," *The Star*, January 18, 2022. <https://www.thestar.com/business/2022/01/18/gamified-apps-push-diy-traders-to-make-riskier-investments-study.html>