

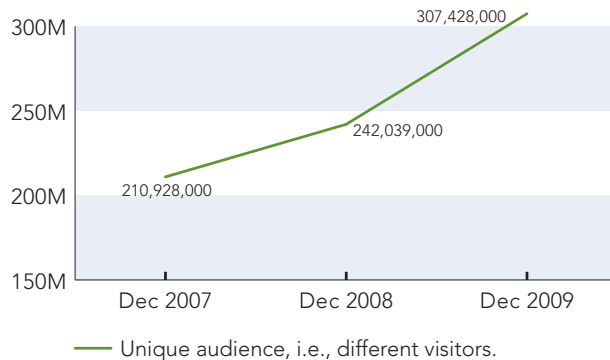
## Social media

### The next big wave for financial advisors?

From the young to the old, the use of the Web has dramatically, and permanently, changed the way people conduct both their personal and professional lives. Yet back in the early 1990s when it became part of the Internet, many wondered how significant it could really be, especially in the business world. It was hard to imagine that some companies would transact all of their sales online, and Web sites would be accessed from the coffee shop using Wi-Fi,<sup>®</sup> or via cell phones and handheld devices.

Now the buzz is all about social media and, once again, many wonder how significant it will be as we look into the future. Yet the statistics are staggering. In December 2009 there were over 307 million unique users on global social networking sites, with Facebook accounting for 67% of the traffic. In the same month in the U.S., time spent on social networking and blog sites had increased 210% in just one year,<sup>1</sup> Facebook had over 115 million visitors, and Twitter over 23 million.<sup>2</sup>

Global Web traffic to social networking sites<sup>1</sup>



Source: The Nielsen Company<sup>1</sup>

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<sup>1</sup>Nielsenwire, *Led by Facebook, Twitter, Global Time Spent on Social Media Sites up 82% Year over Year*, January 2010.

<sup>2</sup>Quantcast, *Facebook and Twitter Profiles*, January 2010.

Social media isn't just about interacting with friends—it's an entirely new way of networking, making contacts, and sharing information. People watched the last presidential debates on the social media site YouTube and posed questions online, while campaign workers "tweeted" to stay on top of breaking developments. Facebook is enabling Stanford University to share its discoveries and knowledge, and health organizations to empower advocates in the fight against life-threatening diseases.<sup>3</sup> National Public Radio® (NPR) has even created the unique position of "social media strategist" to experiment with using social tools in an age when they say the "public demands engagement and participation."<sup>4</sup>

So what does the social media landscape look like, and what implications might it have for you as a financial advisor? Can it really help you to effectively network with other financial professionals, reach centers of influence, and learn more about prospective clients—all online?

This Paper is designed to provide you with background information on social media, and possible steps you can take to learn more about how it might be used in your business. Specifically, it addresses the following four areas:

- I. The social media landscape
- II. The three most popular sites for advisors
- III. The regulatory environment
- IV. Listening and learning

Can social media help financial advisors effectively network with other financial professionals, reach centers of influence, and learn more about prospective clients?

<sup>3</sup>Facebook.com Press Release, *Who's Sharing On Facebook?*, March 2009.

<sup>4</sup>Socialmedia.biz, *NPR's experiment with social media*, April 2009.

## I. The social media landscape

By leveraging the Internet and Web-based technologies to socialize online, social media is changing the way we interact and opening the possibility of making more connections than ever before. It is also bringing about “the democratization of knowledge and information, transforming people from content consumers into content producers”<sup>5</sup> as they post opinions and viewpoints.

There are a wide range of social media tools in use, including blogs, video blogs, online forums, podcasts, instant messaging, picture postings, and 3-D chats.<sup>6</sup> From this, social media platforms have evolved that integrate many of these functionalities. This includes video sharing sites like YouTube, social networks like Facebook and MySpace, and status update services like Twitter.<sup>7</sup>

Social media platforms are being used more and more by people of all ages. According to a tracking survey, 46% of American adults who use the Internet had a profile on an online social network site in 2009, up from just 8% in 2005.<sup>8</sup> Social media platforms are also being used more and more for business purposes, including new sites sponsored by financial services companies. Fidelity itself has launched Facebook.com/fidelity and Twitter.com/fidelity to provide retail clients with education, support, and news to help them better manage their financial lives.

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46% of American adults who use the Internet had a profile on an online social network site in 2009, up from just 8% in 2005.<sup>8</sup>

<sup>5</sup>Wikipedia, *Social Media*, January 2010.

<sup>6</sup>FredCavazza.net, *Social Media Landscape Redux*, April 10, 2009.

<sup>7</sup>Pew Internet & American Life Project, *Online participation in the social media era*, Racetrack Industry Program, December 2009.

<sup>8</sup>Pew Internet & American Life Project, *The Democratization of Online Social Networks*, October 8, 2009, <http://fe01.pewinternet.org/Presentations/2009/41--The-Democratization-of-Online-Social-Networks.aspx>.

## II. The three most popular sites for advisors

While there are literally thousands of social media sites, LinkedIn, Facebook, and Twitter are the top sites used by financial advisors.<sup>9</sup> Each is free and serves a large audience of college-educated adults, 35 years of age or older, with annual household incomes above \$100,000.

### LINKEDIN

LinkedIn is a business-oriented social network site with approximately 60 million registered users.<sup>10</sup> As with any networking initiative, it focuses on building a group of trusted contacts with whom you can share information, and possibly use to gain introductions to people you would like to meet.

Joining the site requires that you develop a professional profile that can include a description of your firm, summary of responsibilities, business history, education, etc. (You can also develop a company profile.) Keywords in your profile are important if you want to be identified when others do general searches by profession or skill set. This includes searches via Google as well as within LinkedIn itself. Once in place, you can begin to build a network of contacts by sending customizable e-mail invitations from the site to “connect.” When someone joins your network, there is a cascading effect that provides access to that individual’s profile and to second- and third-degree connections (i.e., your contact’s contacts, and their contacts), significantly increasing the number of people you might be able to meet through a warm introduction.

LinkedIn has a number of interesting capabilities, including:

- Automatic updates on developments with your contacts, providing the opportunity to reach out when someone gets promoted, changes firms, etc.
- The ability to join one of thousands of discussion groups for specific professions or areas of interest, many involving financial advisors and high-net-worth investors.
- Search capabilities to identify companies and people based on a range of criteria, including location and job title, indicating who you know in your network that might facilitate an introduction.
- A wide range of applications to see what events your connections are attending, where they are traveling, and what books they are reading, plus the ability to add a blog to your profile, send tweets directly from the site, and much more.

“LinkedIn is a very professional site,” says Kristen Luke, Principal at Wealth Management Marketing. “It’s an easy way to find a target market based on profession or interest. You can learn a lot about possible clients and centers of influence.”

<sup>9</sup>Kristen Luke, Principal, Wealth Management Marketing, *Uncovering Opportunities Using Social Media*, January 2010.

<sup>10</sup>Wikipedia, *LinkedIn*, January 2010.

## FACEBOOK

Facebook is one of the most widely used social networks, but is geared more to friends and family than business associates. The site includes more than 350 million active users, 30% from the U.S., and 700,000 Facebook Pages for local businesses.<sup>12</sup>

As with LinkedIn, you join the site by creating a profile, although more personal details can be included such as gender, birth date, and relationship status. You can add “friends” to your network and send them messages, and join groups organized by city, workplace, and school/college. You can restrict information based on specific friends or lists, have friends post messages to your “Wall,” upload pictures and photo albums, and incorporate blogs.

“A lot of advisors really like Facebook,” says Luke. “It’s a great way to build relationships with your network and stay in touch. But you need to be careful about mixing personal and business information, like photos, and be aware of what others are posting to your profile. You should consider using business pages that can provide more of a barrier.”

## TWITTER

Twitter is a micro-blogging service that enables you to send and read messages known as “tweets” via mobile texting, instant messaging, and the Web. These are text-based posts no more than 140 characters in length that are displayed on the author’s profile page and delivered to his or her subscribers, who are known as “followers.” In this case, your profile is very short and may just contain your name, location, URL, and a sentence about your area of expertise. Your profile is indexed by Tweeter tools, so if you want to show up when someone searches for financial advisors, for example, you need to mention that in your description. Searches can also be made by person, product, or topic of interest.

“Twitter can be an interesting information source for advisors,” says Hadley Stern, a vice president at Fidelity Labs. “It enables you to follow people and see what they’re doing. For example, I follow a well-known technologist to see what he’s reading and commenting on. I once even sent him a question that he quickly responded to—that would never have happened if I used e-mail.”

There are a number of interesting applications developing around Twitter. For example, one enables users to customize a profile that streams live tweets of specified investors and public companies. “Although the information isn’t filtered, firms are starting to integrate this into their brokerage platforms,” says Stern. “It’s not real-time news, but real-time tweets.”

TOP SITES FOR FINANCIAL ADVISORS			
	LINKEDIN	FACEBOOK	TWITTER
35+ years of age	75%	34%	44%
Household income \$60K–\$100K	31%	29%	27%
Household income \$100K+	38%	29%	25%
College or post-graduate degrees	81%	55%	55%

Source: Quantcast.

<sup>11</sup>Facebook.com, *Statistics*, January 2010.

### III. The regulatory environment

Social media is like any other medium and it's important to follow the rules around what is and isn't acceptable from a regulatory perspective. Though the regulatory landscape continues to evolve, on January 25, 2010, FINRA issued new guidelines on blogs and social networking Web sites. In addition, a recent webinar entitled "Advisors and LinkedIn" hosted by InvestmentNews<sup>12</sup> brought together four third-party panelists, including a nationally known securities attorney, who shared the following regulatory tips for RIAs:<sup>13</sup>

- Treat social media like advertisements. Keep things general and do not give actual investment advice or make specific recommendations.
- Ensure you are meeting all disclosure requirements and, as with any advertising, there can be no testimonials—that means you cannot use the "Recommendations" capability in LinkedIn, for example.
- Follow the rules and regulations that require that certain electronic records be kept. Typically, if the record would have to be kept if it was in hard copy form, it must be kept if it is in electronic form. Also, maintain copies of all aspects for three years.
- Use sites like LinkedIn and Facebook as a public profile and alternative to your Web site, and use Twitter as you would an e-mail blast, treating your tweets as advertising.
- Be careful not to mix personal use with professional use.

If you are planning on using social media for business purposes, you should first consult with your legal/compliance professionals.

To help address some of the regulatory concerns, new companies are emerging that provide middleware solutions to handle the compliance and regulatory issues confronting businesses.<sup>14</sup> Some middleware firms are helping companies control their presence on sites such as LinkedIn, Facebook, and Twitter by enabling them to turn off certain features and archive user-generated content for these applications to use as an audit trail.

<sup>12</sup>Held on January 26, 2010.

<sup>13</sup>Since the regulators have not issued any clear guidance on the use of LinkedIn, Twitter, or any other form of social media, much of this is guesswork based on past SEC and FINRA proposals and reactions to changes in technology.

<sup>14</sup>Research should be conducted to learn more about these emerging capabilities before adoption.

## IV. Listening and learning

Social media is a communications and marketing tool and, as such, needs to fit into your broader business development strategy. Before getting involved, you should think about what you are trying to achieve overall, and how social media may complement and extend your other activities. That will help you determine which tools and platforms you may want to use, and the type of profiles to develop for you and/or your company.

Social media can be overwhelming at first, so it's best to begin slowly in the listen and learn stage, especially as more information comes forward on regulations and middleware applications. Since LinkedIn is the most business-oriented site, it is a great place to start to become familiar with what's available. Here are a few things to consider:

- Create an inviting profile, keeping in mind the keywords others might use when they are searching the financial advisory space.
- Take steps to connect with friends and colleagues first to experience how the site really works before inviting others. Focus on quality not quantity—your network says a lot about you.
- Research your network to see if your contacts are connected to people you would like to know, and experiment with online introductions. Also research your second- and third-degree connections; you may be surprised at how this group expands exponentially.
- Explore the different groups you can join, and choose one that looks interesting and fun.
- Investigate the other applications that are available, like Blog Links and SlideShare.
- Most importantly, of course, make sure you are following all of the regulatory guidelines.

### SOCIAL MEDIA—THE NEXT BIG WAVE FOR FINANCIAL ADVISORS?

“There is no silver bullet,” says Luke. “Social media won’t answer all of your marketing problems; it’s just another way—and an important one—to develop your business.” It’s worth taking the time to understand its possibilities.

Social media sites offer the ability to join discussion groups for specific professions or areas of interest, many involving financial advisors and high-net-worth investors.

For more information on social media and how you might use it within your business, please consult with your dedicated Relationship Manager or call Fidelity Institutional Wealth Services at **1-800-735-3756**.



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