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Understanding Risks Associated with Speculative Investing

Investors need to understand the risks of stock price volatility

(COLUMBUS, Ohio) — In light of the recent stock market activity focusing on speculative trading, the Ohio Department of Commerce's Division of Securities urges investors to think twice about high-risk investing in the market. While high-net worth investors and sophisticated hedge fund managers may be able to withstand losses incurred from these high stake's practices, less-experienced investors may not.

Ohio Securities Commissioner Andrea Seidt cautioned investors about the risks associated with investing in publicly traded companies that are experiencing volatility.

"Speculating in company stock or investing in companies experiencing price volatility is risky, and investors should understand their risk tolerance when considering such investments," she said. "If you play with fire, do not be surprised if you get burned."

Seidt encourages investors to talk to a financial professional before engaging in these types of high-risk investments, and urges all investors – especially those new to the market – to exercise great caution in this area, especially when using a do-it-yourself (DIY) web platform or phone app.

"It is a little scary to see so many new investors making wildly speculative and risky investments right on their phones, without ever talking to an expert about the real-life consequences," she added. "Young adults, in particular, are now betting on complex products they simply do not understand, and the consequences can be tragic."

Seidt suggests consumers ask themselves these questions before investing in any type of securities:

- **Risk:** What are the risks of this investment? Can I lose all of my money or *even more* than the amount that I have deposited into my account?
- **Liquidity:** How quickly can I access the funds if I need them?
- **Suitability:** Is this *really* the best investment for me? Does buying this security accomplish my overall investment goal?

Investors can learn more about the fundamentals of investing by visiting the Division of Securities website at <https://www.com.ohio.gov/secu/default.aspx>.

The Division of Securities encourages potential investors to call the Investor Protection Hotline at 877-683-7841 to ask:

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[com.ohio.gov/secu](https://www.com.ohio.gov/secu)



- Is the brokerage firm and salesperson licensed to sell securities in Ohio?
- Have any enforcement actions been taken against them?
- Has the security been properly registered with the Division of Securities?

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*The **Division of Securities** is part of the Ohio Department of Commerce. The department is Ohio's chief regulatory agency, focused on promoting prosperity and protecting what matters most to Ohioans. We ensure businesses follow the laws that help them create jobs and keep Ohioans safe. To learn more about what we do, visit our website at www.com.ohio.gov.*

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