

## Smart Money: Knowing when you don't know

Smart Money by Brad Brain  
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*Brad Brain: "Now, nobody knows everything. That is normal, and fine. But it is important to know when you don't know something. Otherwise, we can get problems." | Getty Images*



The inspiration for this week's column comes from a series of social media posts from people who clearly did not know what they were talking about. Of course, opinionated people on social media with no knowledge of what they are talking about is nothing new. But one twitter thread, about inadvertently buying options contracts, was so egregious that it had people speculating that it had to be a sympathy ploy to get more followers.

The scenario involved stumbling to the point that it seemed scripted. After all, this particular level of naivete couldn't be real. Or could it?

Here's an analogy. Let's say you don't know a lot about fuel for your vehicle. But you do know that you can drive to a gas station, and at this gas station they have fuel pumps. You also see that there are various prices for various fuels and so, naturally, you pick the cheapest one.

Things will probably work out okay if buying the cheapest one means you just fill your tank with regular gasoline instead of supreme. But things don't work out that great if you end up putting gasoline in a diesel engine, even if the gas is cheaper than diesel.

It's important to know what you are doing. Buying the least expensive fuel sounds reasonable. But if you don't know any better, and you try putting gas in a diesel engine simply because gasoline is cheaper, you will soon realize how problematic this is.

Fuelling your vehicle appropriately seems obvious. But with money discussions this kind of foolishness happens all the time.

Now, nobody knows everything. That is normal, and fine. But it is important to know when you don't know something. Otherwise, we can get problems. That's the point I want to make; knowing when you don't know.

Circling back to the person blundering about with options contracts; this person, who had a twitter name that was along the lines of "StockMarketPro", was wondering why she now owned 100 shares of stock when she only bought one options contract.

Umm... because options contracts are based on 100 shares of stock.

Now, if this person was putting herself out there as "StockMarketNoob" I wouldn't be writing this column. It's not newsworthy when somebody who admits they have limited knowledge makes a mistake.

On the other hand, you would not expect these kind of rookie mistakes in the account of a "StockMarketPro." It's like someone who calls themselves "FuelGuru" telling all people to buy the cheapest fuel, regardless of gasoline or diesel. "StockMarketPro" thought she had expert knowledge, even to the point of telling other people to follow her on Twitter for her pro tips. Yet she was oblivious.

By the way, the twist to her story is that the shares she ended up buying went down 50% since the option was exercised, and since she bought 100 times more than she thought, she is really in a jam now.

Sometimes people don't know what they are talking about, and they don't realize that they don't know. They make mistakes. And if they are active on social media they often end up telling others of their

experiences, thinking they are passing on wisdom, but really they are just sharing their mistakes.

Wisdom is knowing when you don't know. If you don't know what type of fuel goes in an engine then telling people to just buy the cheapest one is not great advice. I think people can see that. The equivalent degree of rubbish advice about money can be harder to spot.

Not all misinformation is harmless. If you aren't sure about things, please get some help. Don't pretend that you know things you don't. Don't do the money equivalent of putting gasoline in your diesel engine.

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