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Stock Market Investing Tips, Techniques, and Resources



Is Robinhood Investing Dangerous?

By www.ProfitableInvestingTips.com

Ten million people, largely millennials, use the Robinhood investing app. Is Robinhood investing dangerous or a good idea? Robinhood Markets, Inc. offers online investment in stocks, options, and ETFs as well as cryptocurrencies. The company has no offices for investors to visit but rather is accessible via iOS (Apple) and Android devices. Individuals can trade without incurring fees. It allegedly only makes money based on interest from customer cash balances and lending for margin trading. But, there are a few issues of which customers should be aware.

Is Robinhood Investing Dangerous?

Although the company has occasionally blocked investors from buying or trading some stocks that they consider dangerous, many Robinhood users tend to buy and sell equities that are not all that secure. Issues with the company itself include evidence uncovered and published by *Bloomberg* that it earned about half of its income by routing orders to companies that paid for order flow. They were fined by FINRA in 2019 for not disclosing this. Another issue that came to light in July 2019 was that Robinhood stored customer information in clear text on their sites making such information easier to steal than if it were encoded.

Sound Investments through Robinhood

Nevertheless, most Robinhood investors seem to be buying strong companies with strong earnings. [Three growth stocks](#) that are Robinhood investor favorites according to *The Motley Fool* are Amazon.com, Tesla, and Microsoft. So long as investors use this platform to purchase similarly strong stocks they are simply avoiding fees and saving time by investing via their smart phones.

Risks of Trading with the Robinhood App

According to *The New York Times*, young traders have ended up with [devastating results](#) while using this addictive app. Robinhood's young and often inexperienced investors trade riskier products at a more rapid pace than customers of other online trading and investing platforms. Compared to E-Trade they traded nine times as many shares and compared to Charles Schwab they traded forty times as many. Regarding options trading, the ratio was 88 to 1 for Robinhood versus Charles Schwab.

The Times documents young investors who took out second mortgages on their homes in order to trade and lost hundreds of thousands of dollars.

Robinhood App Can Be Addicting

The features of this app make trading and investing into a game, fun at times, and devastating at others. The fast pace of trades makes it difficult if not impossible to use analytic techniques such as [important moving averages](#) or [intrinsic stock value](#) in setting up trades. This, more so than anything else is what can make Robinhood investing dangerous. Successful [investing in stocks](#) takes patience, sound evaluation, and timely execution. The recurring temptation on the Robinhood app to jump into trades is ultimately addictive. Traders are rewarded (like at the casino) with random gains and end up doubling down on their losses in attempts to catch up. This is how fortunes are lost and not how fortunes are made in trading the markets.

When the Robinhood App Is a Good Idea

Traders and investors who do their homework and use the app to get timely alerts about price changes will be able to execute the trades that they want without having to sit at a trade station all day long. However, this means a lot fewer trades that are currently being made on the app today.

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