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## 4 Lessons Learned From FTX and Enron

At its height, Enron was trading at \$90.75. By December 2001, its mismanagement was exposed, and its stock [plunged to just \\$0.26](#). The company declared bankruptcy shortly thereafter.

Just last year, FTX started crumbling due to mismanagement in a similar manner, shocking the entire cryptocurrency market. The case is still unfolding, but both FTX's and Enron's downfalls offer important lessons for professional and personal finance alike.

So what can we learn from the FTX and Enron scandals?

**1. Big investors experience FOMO too.** Just because other investors seem excited about an opportunity doesn't mean it's low-risk. Major investment firms threw their weight behind FTX and Enron because they didn't want to be left out of opportunities that everyone was talking about, which gave the companies a deceptively credible image.

**2. Due diligence is a must.** Red flags preceded the collapse of both Enron and FTX and some people sounded the alarm. But the companies' seemingly unstoppable success and positive media coverage outshined them — combined with a sense of urgency, this encouraged many investors to neglect due diligence.

**3. Buy what you know.** Do you understand what a company does and how it earns money? What were its profits and losses like last year? If you still don't know the answer to these questions after researching, you might want to hold off until you can get more information.

**4. Public images aren't track records.** Good track records are built through solid returns and smart business practices. Enron and FTX dazzled investors with carefully cultivated public images to hide their mismanagement.

It's important that you can work with a trusted financial professional who has your best interests in mind. Reach out if you have any questions about achieving sustainable wealth growth.

***Helping clients get back to the basics of building and maintaining wealth in a tax efficient way.***



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