



Better Investing Education

Stock Investing Basics



Stock Investing Basics is an e-learning course designed to begin laying a solid foundation for your journey into the world of stock investing. Whether you're new to the financial markets or looking to improve your understanding, this course will equip you with essential knowledge and practical skills. By the end, you'll feel ready to take your first steps toward building a successful stock portfolio. Let's embark on this exciting journey to financial empowerment together!



Becoming a Stock Investor



What Are Stocks?



Investing in Stocks



Focusing on the Stock Market



Buying Stocks

Becoming a Stock Investor



BetterInvesting Education

Introduction

Welcome to "Stock Investing Basics," an e-learning course designed to begin laying a solid foundation for your journey into the world of stock investing. This lesson will introduce you to the concept of stock investing and help you identify reasons to invest in the stock market.



Lesson Objectives:

- Understand the concept of investing
- Define asset classes and understand the different types
- Identify reasons for investing in the stock market

What is Investing?

Investing is an active process intended to increase the value of existing capital by way of income generation and/or capital gain. Investing is the act of taking some of your savings (existing capital) and putting those savings to work to make money. When you first started to earn money, you may have learned to set aside a portion of your earnings each month into a savings account. Saving money is a critical component to investing. Without savings there is nothing to invest. Once your savings habit has become regular and you begin to accumulate money, it's time to think of how to invest that money

Let's Talk Asset Classes

When deciding how to invest your money, there are several asset classes that exhibit characteristics that may draw you in as an investor. Asset classes are a way to group investments that have similar qualities and that are regulated by the law in similar ways. The way investment securities are grouped into asset classes is defined by the way they behave in the marketplace. The most common asset classes have historically been equities (stocks), fixed-income investments (bonds), and money market instruments (cash equivalents). Let's take a closer look at some of the terminology related to these asset classes.

1

Stocks: Stocks, known as equities, are securities that represent an ownership position in publicly traded companies. We'll discuss more about stocks as we move further into the course.

2

Bonds: A bond is a loan that an investor buys. The investor (bondholder) is lending the money to a government entity or corporation with the expectation of receiving interest payments on the principal (aka face value - the amount that the bond issuer owes the bondholder) of the bond in return for the loan. A bond is considered a fixed-income asset because the interest rate is generally set at a fixed rate. Bondholders expect to receive the interest payments throughout the duration of the loan which ends on the loan maturity date. On the maturity date, the principal amount of the loan is paid back to the bondholder.

3

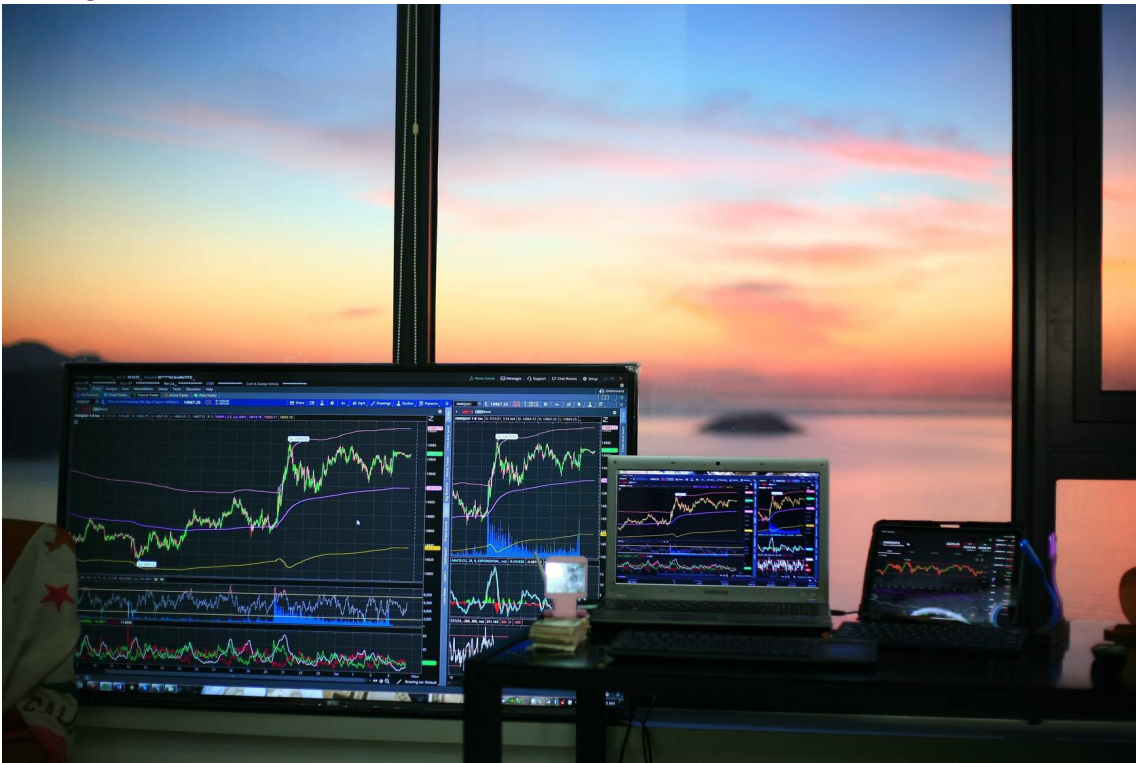
Cash: We know cash as money in the form of notes and coins. When cash is held as an investment it is typically held in a money market mutual fund that invests in high-quality securities for the short term. Money market funds are a generally safe, low-risk way to invest money for the short term because of the highly liquid nature of the funds. They are protected by the guidelines of the SEC and generate either taxable or tax-free income. Many investors use money market funds as a holding place for their money while they decide on other investments. Money market funds are a good choice if you are looking for a short-term, low-risk way to put aside money.

Asset classes have different levels of risk, so investing in opportunities across different classes can help you have a more diversified portfolio. Diversification can help reduce risk and protect your investment

growth because each asset class carries different risks and return characteristics. If investments in one asset class are dwindling, another may be prospering. Stocks have historically been the asset class with the highest long-term returns, and that is the asset class we will be focusing on in this course.

While most savings accounts will earn income in the form of interest that is added to your account, this is not the same level of return we expect when investing in stock. We will delve into the ins and outs of stock investing and how it works as we move along in the course but first we need more background.

Why Become a Stock Investor?



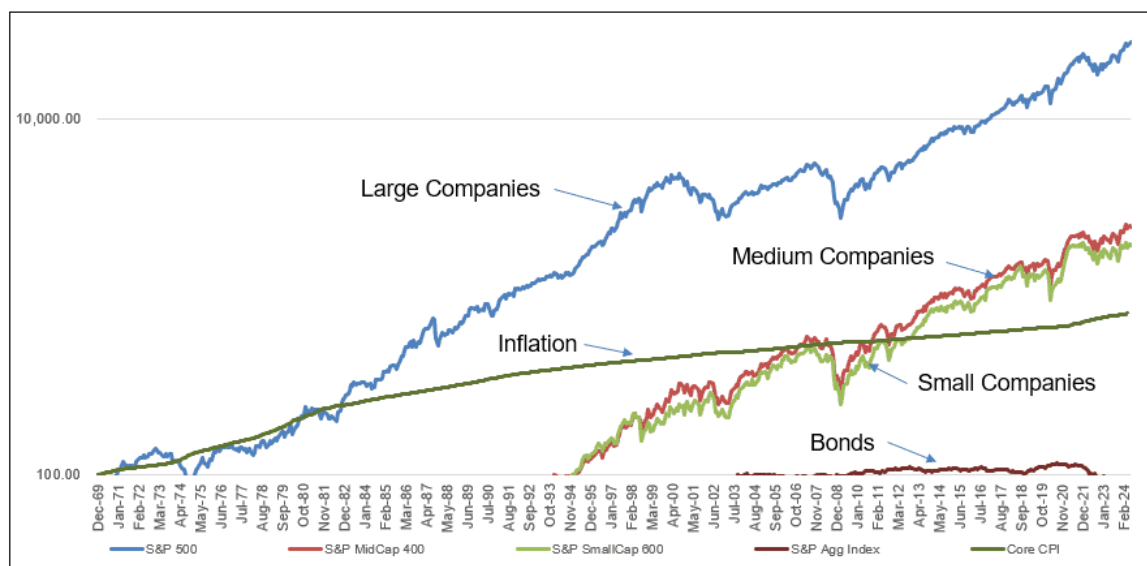
There are a lot of great reasons to invest in stocks. Let's discuss some of the reasons stock investing can benefit you.

Reason 1

One reason to invest in stocks is that you don't need to have a lot of money to become a stock investor. With the steady and sometimes abrupt increase in the cost of living, paychecks will not stretch as far as they used to; however this is exactly why investing in stock is such a great idea and should be a part of everyone's financial plan! Even a small amount of money invested in a handful of stocks to start with can quickly provide returns (gains) that you can see and will help you build a foundation for financial stability in the future.

Reason 2

Historical Market Performance



Source: CFRA. Past performance is no guarantee of future results.

Investing in stocks is a great way to increase wealth and build financial stability over time. Many long-time investors build substantial wealth that can be passed down from generation to generation.

The graph above shows how stocks of large, medium, and small companies have performed over time in relation to inflation and the overall bond market. What we see on the graph is that stocks have outperformed inflation and bonds over the long term. There may be short periods where the market is down, but over the long term, the stock market moves in a positive direction.

When you look at a graph like this of stock performance, we want to see the graph moving upward from left to right. By taking control of your financial future, you'll be positioned to ensure that your financial goals will have every opportunity to become a reality.

Reason 3

Finally, investing can be FUN! Investing in the stock market can be fun and exciting. Who doesn't want to see their hard-earned money grow, providing opportunities for financial security and abundance? Learning about the stock market and various companies is exciting and can be very rewarding, too. Also, as an investor, you have the opportunity to find other people in investor communities who share your financial goals.

Investing in the stock market can be both fun and exhilarating, as it offers the chance to see your money grow and achieve financial security. Exploring different companies and learning about the market adds to the excitement and reward of investing. Additionally, connecting with others in investor communities who share similar financial goals can enhance the overall experience.

Conclusion

Investing is the strategic process of using your savings to grow wealth through income and capital gains. It goes beyond mere saving by actively placing your capital into assets designed to increase in value. When considering how to invest, it's essential to understand various asset classes such as stocks, bonds, and cash equivalents, each with unique characteristics and risk profiles.

Stocks represent ownership in companies and have historically offered high returns, while bonds provide fixed income through interest payments. Money market funds offer a safe, short-term investment option with high liquidity. Diversification across these asset classes helps manage risk and can enhance returns, as different asset classes perform well at different times.

Investing in stocks, in particular, can build substantial wealth over time and contribute to financial stability. It also offers the potential for significant long-term gains, despite short-term market fluctuations. Ultimately, investing in stocks not only supports financial growth but can also be an engaging and rewarding activity, aligning with personal financial goals and aspirations.

What Are Stocks?



Introduction

Understanding what stocks are is fundamental for anyone venturing into the world of investing. This lesson will explore the nature of stocks, their role in a company's financial strategy, and the fundamentals of stock analysis, setting the stage for informed investment decisions.



Lesson Objectives:

- Define stocks
- Understand the difference between a company and a corporation
- Define the concept of fundamental analysis
- Explain the difference between common stock and preferred stock

What Are Stocks?

What exactly IS a stock? In simple terms, a stock is a type of security, or financial instrument, that represents an investor's partial ownership in a publicly traded company or corporation. Each unit of stock, known as a share, represents the investor's portion of ownership. It is important to note that as a shareholder, the investor does not own the company per se, but the investor is entitled to a portion of the company's assets and profits. So, what is a company, and what is the difference between a corporation and a company? All corporations are actually considered companies; however, all companies are not corporations. Let's take a closer look at the differences between a company and a corporation.

Company —

A company is a business organization with the primary goal of earning a profit by exchanging goods or services for money with consumers. Companies vary in size and can be structured in different ways. Each type of company has advantages and disadvantages for the business owner. In general, it comes down to the structure of the organization.



Corporation —

A corporation is a legal business entity that protects its owners from personal liability for the company's actions and financial status. A corporation is different in that it is a completely separate legal entity from the business owner. This provides some protection in terms of debt and liability since the business owner cannot be held personally accountable for any of the accrued debts or liabilities of the corporation.



A company is a business organization with the Both companies and corporations can sell stock to shareholders, but understanding the difference between the two can help you with your fundamental analysis when choosing whether or not to invest.

There are many different reasons why companies choose to sell stock to shareholders. Companies in the early stages are generally private companies, which means that their stock shares are not available to be openly traded on the stock market. This gives the company time to build and grow. Young companies just getting started, known as “start-ups”, will often seek venture capital to launch their business by seeking out private investors in exchange for stock or shares of their company. Investors will often purchase stock in start-up companies that they believe have the potential for rapid and significant growth.

Once a company has grown enough and has financial data to demonstrate success in terms of sales and earnings potential, a company may seek to raise capital to expand by “going public”. Going public typically refers to when a company undertakes its initial public offering, or IPO, by selling shares of stock to the public. This can be risky for investors in the public market since the company doesn’t have much of a track record, leaving investors to ‘guess’ if the management team has what it takes to make it a successful and growing company.

FundamentalAnalysis

When it comes to deciding what types of investments to pursue, a successful investor knows the value of fundamental analysis. Fundamental analysis is a method for examining a company to determine whether it is a potentially profitable investment opportunity. Investors look at a company’s financial performance over the long term to determine whether the company is well-managed and has reasonably priced stock. These two indicators will help identify whether purchasing stock in a company will produce long-term returns. We will take a look at the various components of fundamental analysis in a future course.

Types of Stock

There are two primary types of stock that an investor can purchase: common and preferred.

Common stock is a type of stock that allows a shareholder partial ownership in a corporation.

A common stock holder typically has the rights to a say in corporate policies and decisions and can vote for the board of directors.

With common stock, dividends (a portion of the company's profit) may be paid out at the discretion of the board of directors.



As a partial owner of a corporation, a holder of common stock has a claim to the profits and assets of a company after all obligations have been met.

Preferred stock typically lacks voting rights but still allows the shareholder partial ownership of a corporation with an increased claim to the assets and dividends. Dividends are generally fixed and are paid out to preferred stock holders before they are paid to common stock holders.

Conclusion

Understanding stocks is crucial for anyone looking to invest wisely in the financial markets. Stocks, or shares, represent ownership in a company, and they come in two primary forms: common and preferred. Common stockholders have voting rights and a claim on the company's profits, though dividends are not guaranteed. Preferred stockholders, while lacking voting rights, enjoy fixed dividends and a higher claim on assets.

By delving into fundamental analysis, investors can assess a company's financial health, potential for growth, and help determine a fair price to pay for a company's stock.

Investing in Stocks



Introduction

This lesson introduces various ways to invest in stocks, including building a personal stock portfolio, using a brokerage firm or purchasing directly through a company's dividend reinvestment plan (DRIP). It also explores mutual funds and exchange-traded funds (ETFs). Additionally, key investing strategies such as growth, value, and short-term vs. long-term investing are examined. By the end of this lesson, you'll become familiar with how these different methods and strategies can fit into your own investment approach and financial goals.



Lesson Objectives:

- Understand different ways to invest in stocks
- Differentiate between investing strategies

How to Invest in Stocks

There are a number of ways to invest in stocks. Knowing where to go and what to buy is a great starting point. Let's take a look at some of the considerations when starting your stock investing journey.

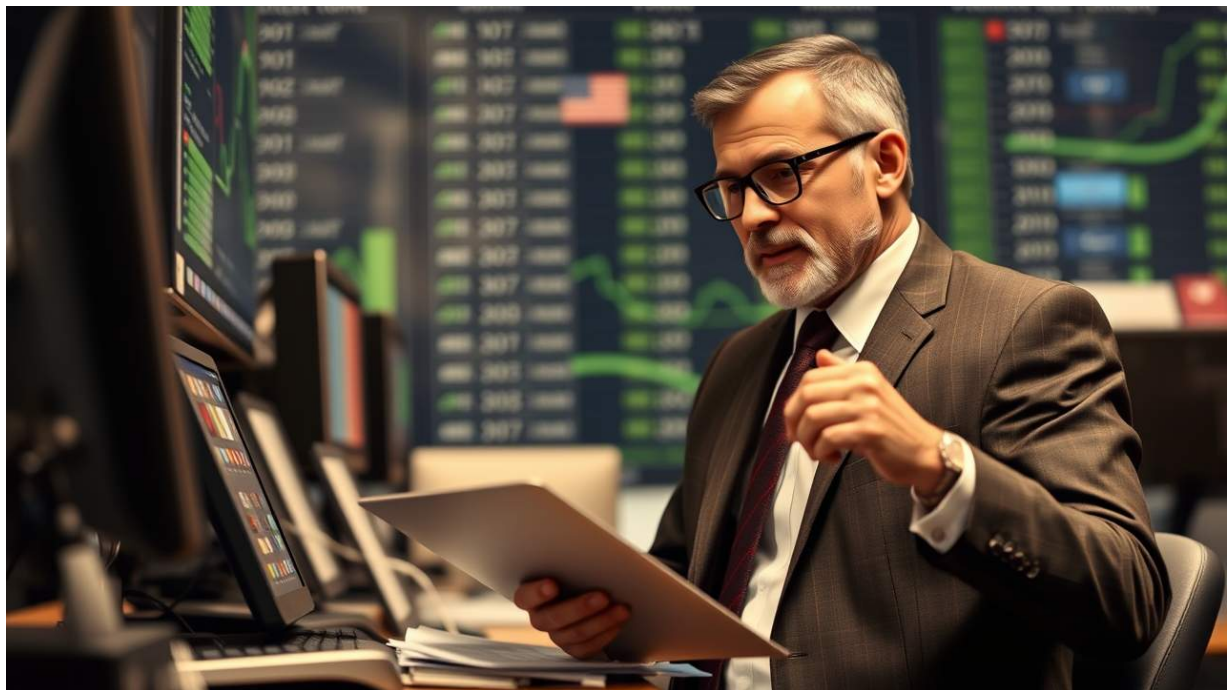
WHERE TO BUY

MUTUAL FUNDS

EXCHANGE TRADED FUNDS (ETFs)

You can start your own portfolio of stocks that you evaluate by purchasing them through a brokerage firm. For stock investors, a brokerage firm serves as the middleman to connect investors and companies for the purpose of buying and selling shares of stock.

Investors have a choice of working with a full-service broker that provides a number of services to its clients, including research and advice, retirement planning, and more. They typically charge an annual flat fee or transaction-based fee, or you can open an account with an online discount brokerage that typically offers free stock trading without all the extra services. You can also purchase directly through a company that offers a dividend reinvestment plan (DRIP). A DRIP takes the funds earned from dividends and automatically reinvests them in company stock.



WHERE TO BUY	MUTUAL FUNDS	EXCHANGE TRADED FUNDS (ETFs)
<p>Mutual funds are pools of money that are managed by professional financial managers. The money from different investors is pooled together into a portfolio of various investments such as stocks, bonds, money markets, etc. The fund manager or management team invest the shareholder's money, and each shareholder owns a portion of the fund similarly to the way you would own a share of the company in which you bought stock.</p> <p>Mutual funds are beneficial for many reasons. Having a professional manager of your fund can be time-saving and provide peace of mind in regards to their expertise and available resources. Investing in mutual funds can help you diversify your portfolio. Investing in mutual funds is also quite convenient, as mutual fund companies offer automatic transfers, reinvestments of dividends and capital gains, and the ability to transfer your money from one fund to another. When it comes to stock investing, there are stock funds with various subcategories specifically for mutual funds investing in equities or stocks. Stock funds can be categorized by company size, investment style, U.S., or foreign equities.</p>		

WHERE TO BUY	MUTUAL FUNDS	EXCHANGE TRADED FUNDS (ETFs)
<p>An Exchange Traded Fund or ETF is a type of pooled investment that trades on an exchange similar to the stock market. ETFs are different from mutual funds, which only trade at the end of the day after the market closes, since ETFs can be bought and sold all day, causing the share price to fluctuate. There are a variety of types of ETFs including actively or passively managed, bond, stock, sector, industry, commodity, and many others. When purchasing shares of a stock EFT, an investor becomes part owner of a basket of equities, which is a collection of stocks.</p> <p>The benefits of ETFs are that they allow the buyer access to many different stocks across different industries, allowing for diversification to manage shareholder risk. Investors can also save on brokerage commission costs, which is a similar benefit to mutual funds.</p>		

Investing Strategies

Deciding on the types of investments you will make is a big part of becoming a successful investor. Another consideration is what investment strategies you will employ in your approach to investing. While we will touch on personal goals for investing and how they help shape your investment style in other courses, there are a few strategies for investing that are important to discuss here.

Growth Investing —

Growth investing is a strategy that focuses on investing in growth companies. Growth investors look for companies that expect to grow at an above-average rate of growth. Generally, smaller companies that have the potential for rapid growth and expansion are attractive to growth investors because they can bring about impressive returns on investment. However, there is more risk with smaller, younger companies because they do not have the track record of success as mature companies with proven track records.



Value Investing —

Value investors look for stocks that they feel might be underestimated by the market. A value investor is adept at fundamental analysis of a company yet understands that the stock market can be fickle in its up-and-down swings. When looking for stocks to purchase, a value investor will seek out stocks that they feel are trading for less than their intrinsic value, typically due to the effects of something negatively impacting the company thus allowing them to be purchased at a discounted price. The lower pricing allows for the potential for profit.



Short-term vs Long-term Investing

When deciding between short- and long-term investments, there are a lot of factors to consider. The level of risk you are comfortable with can play a part in the types of investments you choose. You also will want to consider where you are in life and how soon you will want to capitalize on your returns as opposed to reinvesting and allowing them to grow further. In simple terms, a short-term investment is typically held for a period of less than a year while a long-term investment is held for at least 3-5 years.



Whether you are looking for short or long-term investments, you can find one that makes sense in almost any asset class. Your goals for investing and who you are as an investor will impact the types of investments you choose for your portfolio, and this may change over time as your life and needs change.

Conclusion

There are multiple avenues for investing in stocks, each offering distinct advantages and disadvantages. The type of investment you choose needs to be evaluated thoroughly before purchase. Whether you opt for direct stock purchases, mutual funds, or ETFs, it's important to understand these types of investments and how they can best support what you are looking to achieve.

Additionally, choosing the right investment strategy, such as growth or value investing, will depend on your financial goals, risk tolerance, and time horizon. By exploring different options and strategies, you can build a robust portfolio that evolves with your needs. Ultimately, successful investing is about making informed decisions that align with both your short-term and long-term objectives.

Focusing on the Stock Market



Introduction

This lesson introduces the concept of the stock market and its role in buying and selling stocks and other securities. Unlike a physical marketplace, the stock market consists of virtual exchanges where investors trade stocks. We'll explore how the stock market operates, including key terms like bid and asking prices, and the role of the Securities and Exchange Commission (SEC) in regulating the market. Additionally, we'll identify various U.S. and global stock exchanges, such as the New York Stock Exchange (NYSE), NASDAQ, and the Shanghai Stock Exchange (SSE), to understand how stocks are traded globally.



Lesson Objectives:

- Understand how the stock market works and how it is regulated
- Identify the different global stock exchanges and how they work

What is the Stock Market?

Once you have determined the type of stock you are interested in purchasing, you need to know where to go to make your purchase. That is where the stock market comes in.

How Does it Work?



The stock market is a place where stocks and other securities can be bought and sold. The stock market is not a physical place like a supermarket where you can go to make your purchase or trade. However, like grocery shopping, you can choose from a variety of stock exchanges that are networks for investors to buy, sell, and trade their securities. The stock market is made up of these exchanges and other sources for purchasing stocks and other securities.

Trading

Although stock is mostly traded virtually now, stock exchanges provide an organized, regulated way for investors to buy and sell stocks. The exchange keeps track of the requests for purchasing and selling stocks and lists the pricing for buying or selling. An asking price indicates the amount per share that a shareholder is selling the stock. A bid price is the amount a seller is willing to pay per share of stock.

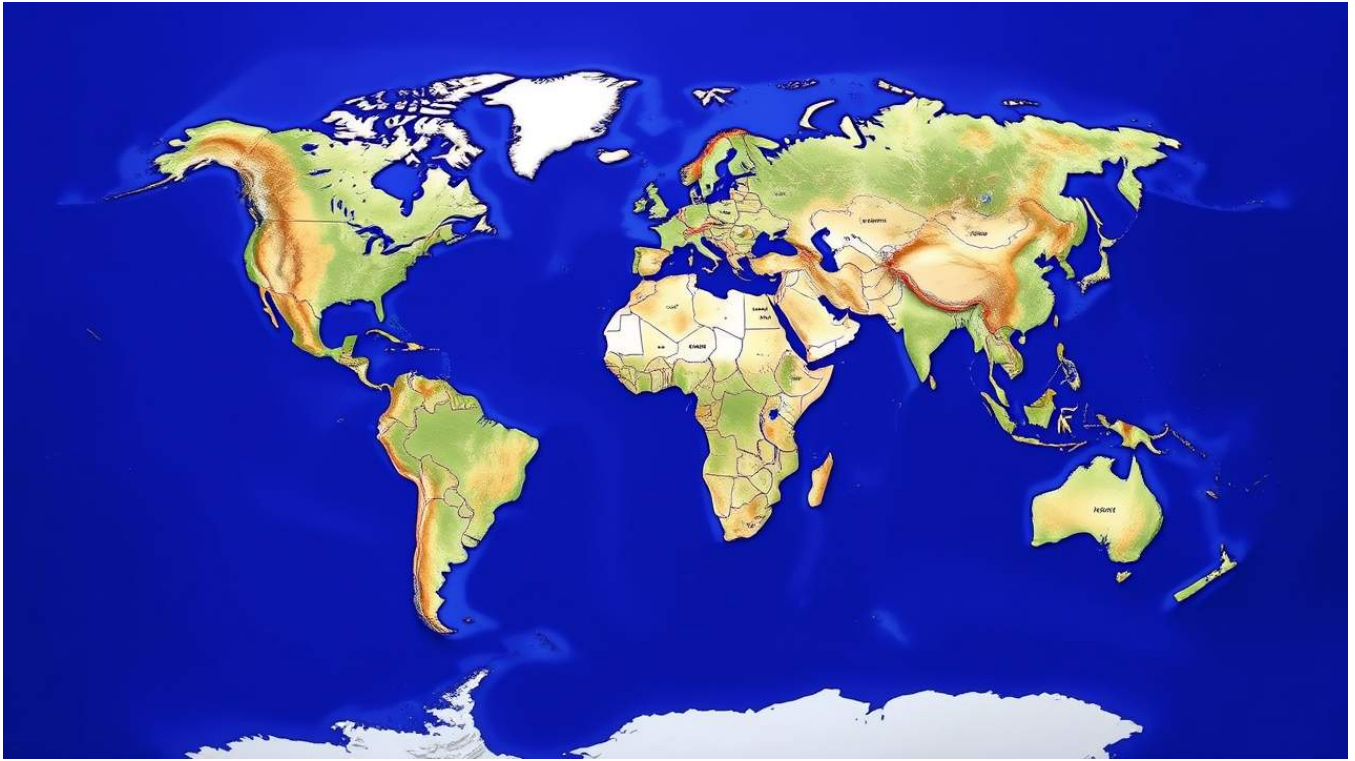
Regulation

The stock market is regulated by the Securities and Exchange Commission (SEC), which is an independent federal government agency that was organized to protect investors from fraudulent practices in the market and promote company transparency with investors. In the United States, in order for securities to be sold to investors, they must register with the SEC. Financial service providers such as brokers, asset managers, and advisors must also register. In addition to the SEC, a non-profit organization known as the Financial Industry Regulatory Authority (FINRA) is authorized by Congress to oversee brokers across the country to ensure the integrity of the stock market. This protects investors and builds faith in the stock market.

The Stock Market in Action

The stock market operates like an auction and a shopping mall all rolled into one. Public companies looking for investors to raise capital for their business offer shares of company stock on public stock exchanges. Prices can vary widely based on a variety of factors including the company's performance and negotiations between buyers and sellers to agree on a price that investors are willing to pay. Companies of all sizes and industries are listed on the stock exchange, and investors can research and purchase stock from companies all in one place. It is important to understand how the stock market works when you are beginning your investment journey, so let's take a closer look at some of the global stock exchanges to get an understanding of how it all fits together.

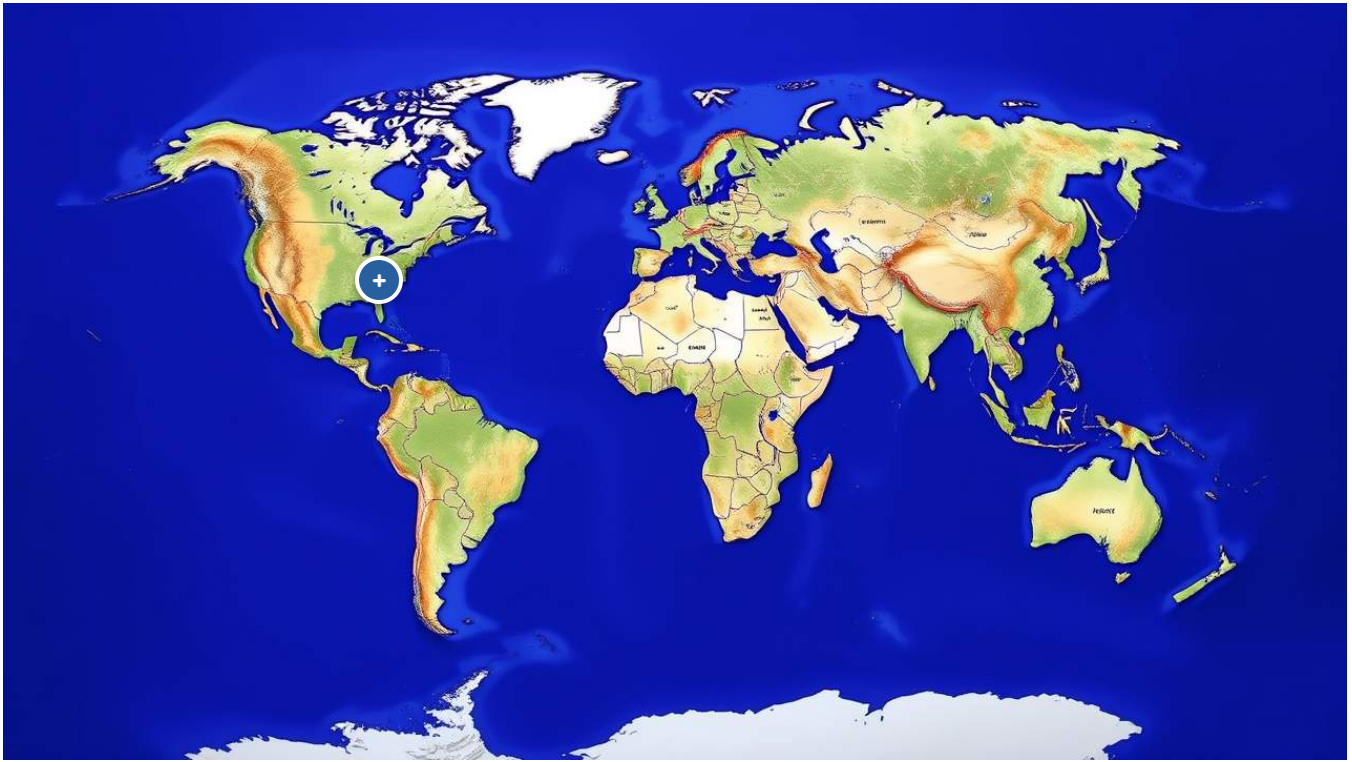
Global Stock Exchanges



New York Stock Exchange (NYSE)

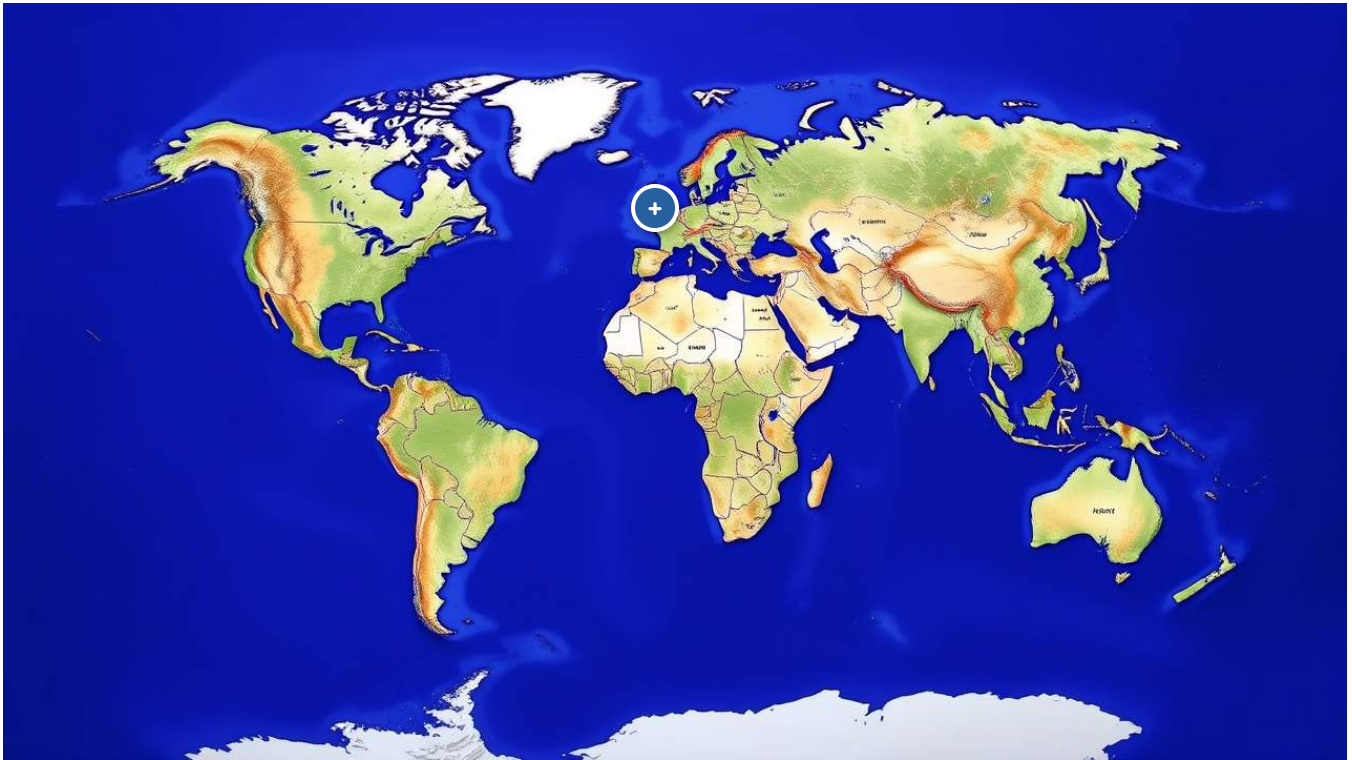
New York Stock Exchange (NYSE) - The largest market exchange in the world is the New York Stock Exchange. It runs as an auction exchange where brokers and traders physically gather to bid simultaneously on stocks. Traders that specialize in different types of stocks buy and sell the stocks at the auction.

The NYSE is understood among traders to consist of more well-established companies. This means stock prices are consistently more stable. Companies you would find on the NYSE include recognizable names such as Coca Cola, Johnson & Johnson, and General Motors.



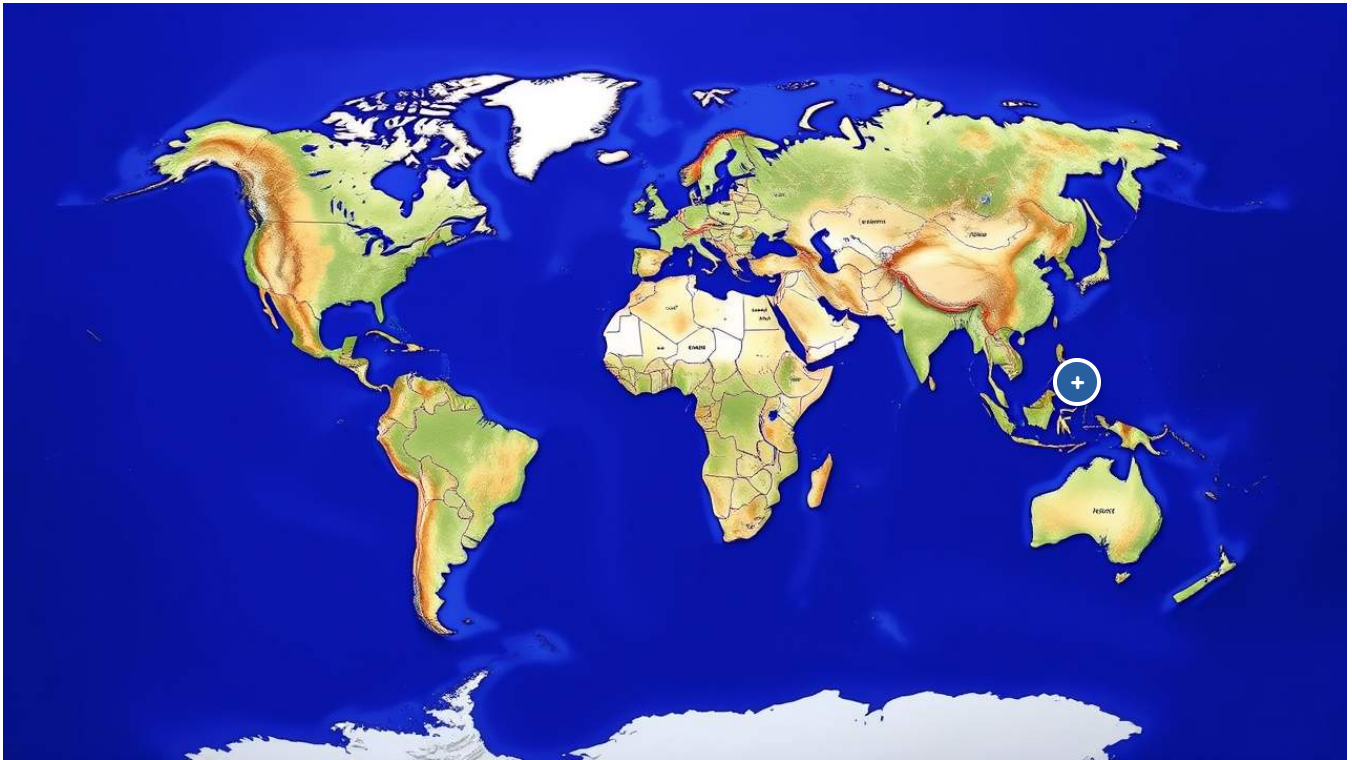
NASDAQ

In contrast with the NYSE, the NASDAQ is solely an electronic exchange. That means that all buying and selling occurs on a network electronically. Dealers post stocks and regulate bids and asking prices. NASDAQ is often seen as a marketplace for tech-focused stocks that are growth-oriented and potentially more volatile. Companies you would look for on the NASDAQ include Tesla Motors, Netflix, and Apple.



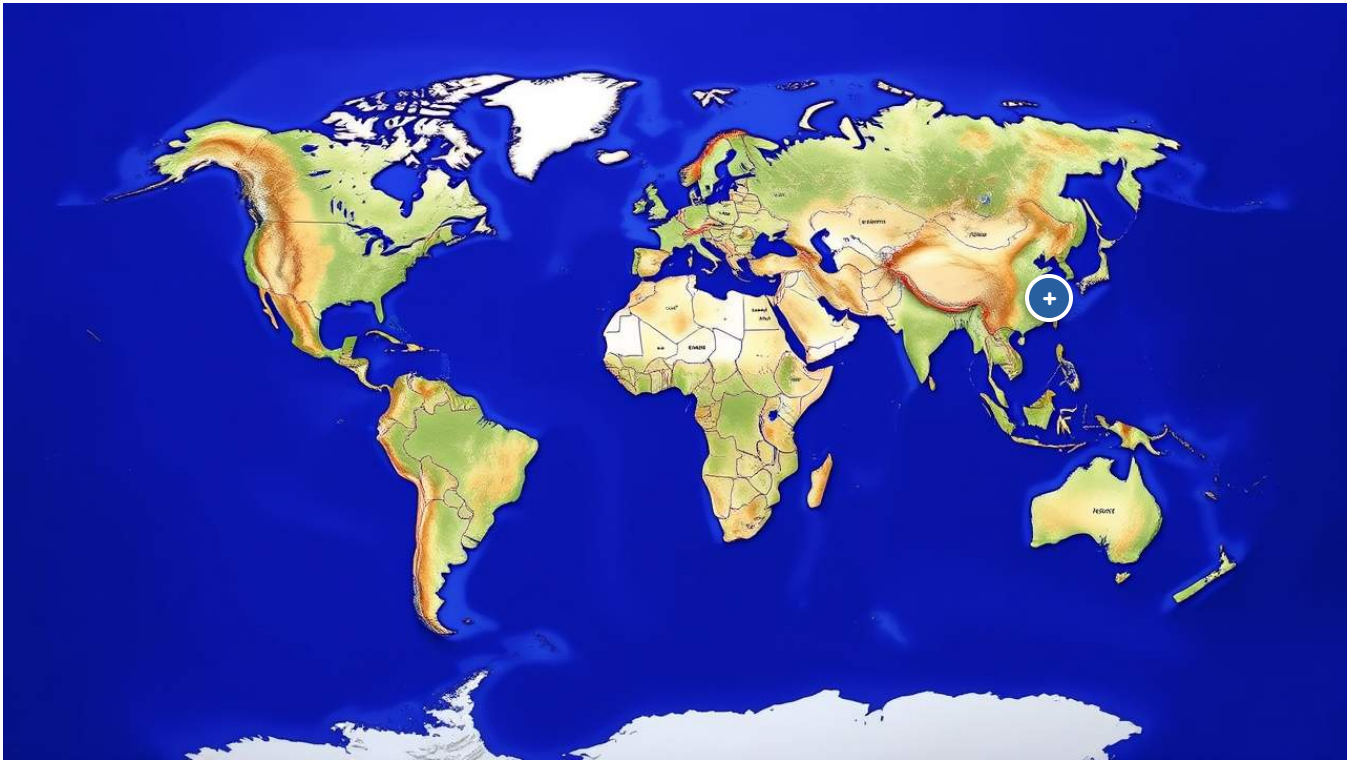
LondonStockExchange

The London Stock Exchange is the largest stock exchange in Europe and one of the oldest in the world. The London Stock Exchange is also the most international of all of the stock exchanges. It is home to companies from over 60 countries, and provides electronic trading for the companies listed.



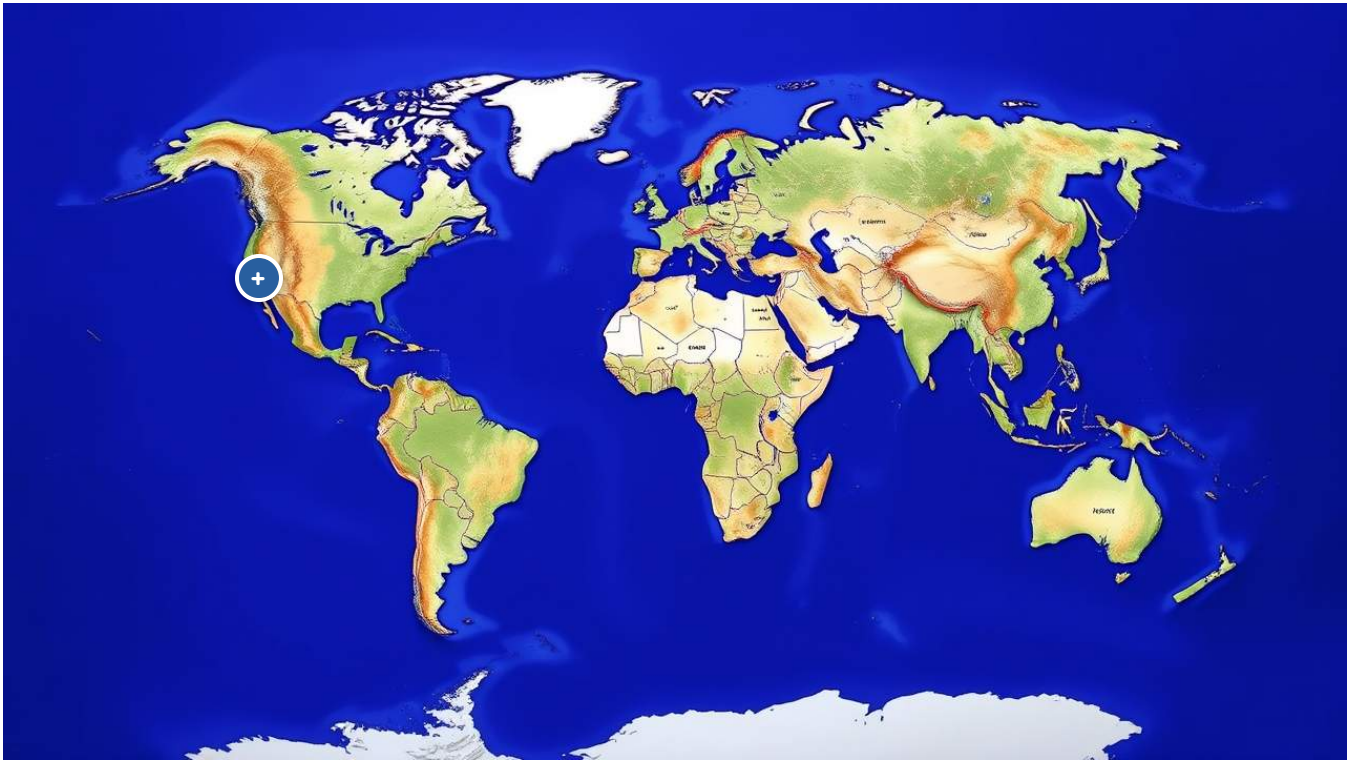
Tokyo Exchange(TSE)

The Tokyo Stock Exchange is the largest exchange in Japan. It is home to the largest Japanese companies including the well-known Sony Corporation and Toyota. The Tokyo Stock Exchange is considered to be somewhat complicated, as it is divided into five sections. The first two sections, made up of the large-cap and medium-cap companies, are known collectively as the “main market”. There are two sections dedicated exclusively to startups, and the final section, known as the Tokyo Pro Market, is only for professional investors.



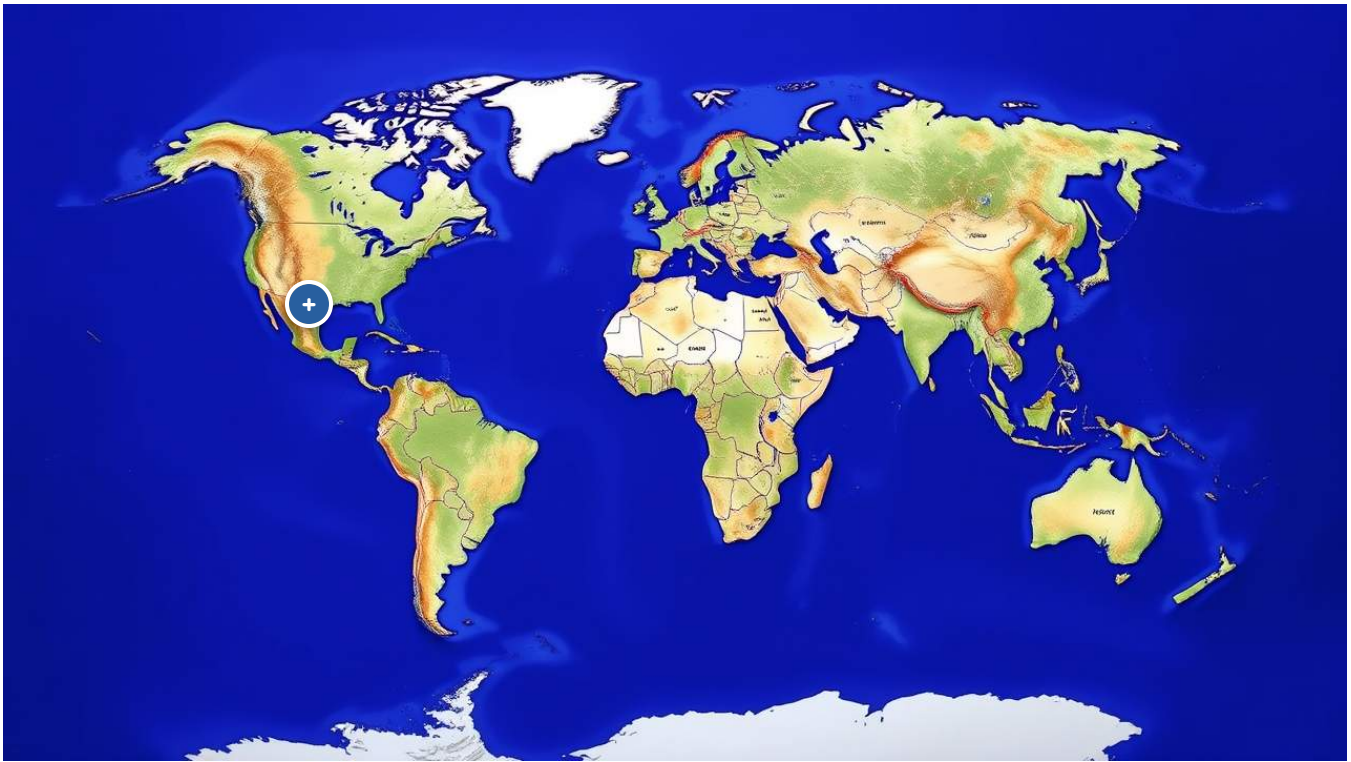
ShanghaiStockExchange(SSE)

The Shanghai Stock Exchange is the fourth largest exchange in the world for equities and is the largest exchange in China. The SSE is a nonprofit organization. It is run by the China Securities Regulatory Commission. The Shanghai Stock Exchange is not completely open to foreign investors due to Chinese government regulation, and many of the companies listed are run by the state.



Over-The-Counter (OTC)

OTC markets are smaller markets than the large, organized exchanges. Companies that have been delisted from large exchanges or smaller in size are commonly traded on OTC markets. Some companies are too small to qualify for a public exchange, so OTC is an option for trading stock from these companies. Securities traded on OTC markets are not required to be registered with the SEC, and there are not many restrictions for listing. This can make trading on OTC markets more risky than on a public exchange.



Texas Stock Exchange (TXSE)

The Texas Stock Exchange (TXSE) is owned by the TXSE Group, Inc., which is made up of over 24 investors. The exchange was created to compete with the NYSE and the Nasdaq exchange and will be a fully electronic national exchange. Trades are expected to begin in 2025.

Conclusion

The stock market plays a crucial role in connecting investors and companies through various stock exchanges, allowing for the buying and selling of securities. Whether trading on major U.S. exchanges like the NYSE and NASDAQ or global ones like the London and Tokyo Stock Exchanges, investors can access a wide range of companies and industries. The stock market operates under strict regulations, ensuring transparency and investor protection through organizations like the SEC and FINRA. Understanding how different exchanges work and how stocks are traded can help investors make informed decisions and successfully navigate the market.

Buying Stocks



Welcome to your lesson on buying stocks! When you're ready to invest, the first step is finding the right broker or online trading platform. Brokers act as intermediaries between you and the stock market, and choosing the right one can be crucial. We'll explore the differences between full-service and discount brokers, evaluate key factors such as fees and services, and consider various platforms that cater to different investment styles. By the end of this lesson, you'll understand how to select a brokerage that fits your needs and start your investment journey with confidence.



Lesson Objectives:

- Understand the process of buying stocks and setting up a brokerage account
- Understand the guidelines for selecting a stockbroker
- Become familiar with some of the most well-known brokers

Where Do You Go to Buy Stock?

When the time comes and you are ready to start buying stock, you will need to find a broker or an online trading platform where you can purchase your stock. As we

discussed earlier in the course, a brokerage firm serves as the middleman to connect investors and companies to buy and sell shares of stock.

Choosing a broker or online trading platform can be intimidating, but there are a few guidelines to consider when making your decision.

☐

Identify your investment goals - It is important to have a good understanding of your goals for investment and your investment style to make sure that it aligns with the broker you choose.

☐

Do your research - Research the different available brokers and their services. What will meet your needs? This includes looking at the costs associated with stock trading.

☐

Evaluate online trading platforms - As with any online tool, you should look at the features and ease of use as well as security when considering an online platform.

☐

Ask for recommendations - If you have friends who invest in the stock market, ask for recommendations. This can give you a good starting point for finding a broker that aligns with your needs.



Brokerage Basics

Brokerages were once “one size fits all.” Today they come in all shapes and sizes.

With full-service brokers, you pay hefty commissions and receive deluxe treatment — you don’t just get someone to buy and sell stock for you.

Brokerages generally can be broken down into two types:

- Full-service
- Discount

Full-Service Brokers

Offer financial planning, in-house research, stock recommendations, and a broker who, in theory, only recommends investments that fit your objectives. Charge higher commissions than discount brokers.

Discount Brokers

Mainly offer the ability for investors to conduct trades online by themselves rather than calling a broker. The commissions are far lower, ranging from \$10 per transaction on down. Most discount brokers do not charge commission fees.

Choosing a Broker

The lines have blurred between full-service and discount brokers, with full-service brokerages offering investors more self-service options and discount brokerages providing person-to-person assistance along with the research traditionally found only at full-service firms. The kind of brokerage you want depends on what your needs are.

Some of the factors are:

Account Minimums

Brokers might require a minimum amount of money in your account. The minimums vary widely, and some brokerages offer different services and commissions based on your account minimum. If you're just getting started, you can opt for a firm with no minimum balance requirements. But even brokerage houses with account minimums might waive the minimum if you agree to an automatic monthly investment plan. Automatic investment plans have a secondary benefit in that they keep money flowing into your investment portfolio. You won't be tempted to skip a deposit into your investment account.

Commissions

Brokers charge a wide range of commissions per trade. In addition, brokers might charge different amounts for online orders, telephone orders, and other types of orders. Commissions can vary based on how many shares you trade and other factors. After you decide how you want to place your orders, look for the broker who offers a reasonable fee for those services. If you decide to open an account with a discount brokerage, check into options for person-to-person assistance in case you have any issues.

Other Fees

Fees for services other than stock trades could add up to more than you save on low-cost commissions. Don't automatically choose the broker with the lowest commissions. Among the additional services, some brokers provide additional investment information, including research reports. They might offer accounts with check writing, automatic rollover of cash to a money market account, and automatic fund transfers. Some brokers offer only limited services outside of conducting trades. Verify that a broker offers the access you want and see whether trades cost more if you use the telephone or show up in person instead of trading online.

If price is important, figure out how much your account will cost you each month, including fees and commissions, by asking for a complete list of services and the associated fees. Understand whether there are maintenance fees for your account. As a long-term investor who isn't making trades every day, you'll want to know whether there are any inactivity fees.

Dollar-Cost Averaging —

Dollar-cost averaging means investing a fixed amount of money in stocks at a regular interval. You buy fewer shares when the price is high and more shares when the price is low, reducing your average price paid over time. These regular contributions to your investment accounts are great for building wealth.

Payroll Deductions —

Payroll deductions and automatic transfers to an investment account protect your hard-earned money from your spending self. You get the benefits of dollar-cost averaging and you might think twice before taking money out of savings.

Dividend Reinvestment Plans (DRIP) —

You can buy stocks directly from many companies through their dividend reinvestment plans, or DRIPs. To enroll in a DRIP, you usually need only one share of stock in the company. After that, many companies reinvest your dividends in your name without charging any fees or commissions. Others have a fee that is usually less than any broker's fee.

In addition to reinvesting dividends in DRIPs, you can often buy additional shares of stock with a small investment and little or no commission. At this point you refer to them as Optional Cash Purchases (OCP) or Direct Stock Purchases (DSP). These additional purchases occur on a regular schedule, such as the last day of the month or the quarter. You can send in a check just before the purchase date; the company purchases your shares, and you then receive regular account statements documenting what you own and your transactions. Many brokerages also offer dividend reinvesting, often for free.

Brokerage Firms

Some of the top brokerage firms that you may be familiar with include:

01

Fidelity Investments

02

Charles Schwab

03

Siebert

04

J.P. Morgan



Once you have done your research and chosen the right broker for you, it is time to open your brokerage account and start purchasing your stock. Most brokerage accounts will have a minimum initial amount you need to fund the account. When you apply for your brokerage account, it is much like opening a bank account. You will need to provide basic identification information, tax information, and income information. Once your account is reviewed and approved, you will be able to add funds to your account and begin investing in stocks.



Did You Know?

Some brokerages offer a virtual trading simulation so you can practice before actually beginning your stock investing journey. If the brokerage you choose does not offer this service, there are a number of online tools you can use for this purpose.

Conclusion

Embarking on your stock investment journey involves careful consideration of various factors to choose the right broker or trading platform. By identifying your investment goals and researching different brokers, you can find one that aligns with your needs, whether that's a full-service or discount brokerage. Understanding commission structures, account minimums, and potential fees will help you avoid unexpected costs and maximize your investment. Additionally, utilizing strategies like dollar-cost averaging and exploring direct stock purchase plans can enhance your investment approach.

Remember, it's essential to start with a brokerage account that suits your financial situation, allowing you to grow your portfolio confidently. Finally, take advantage of resources such as virtual trading simulations to practice your skills before diving in. With the right preparation and knowledge, you'll be well on your way to making informed and strategic investment decisions. Happy investing!