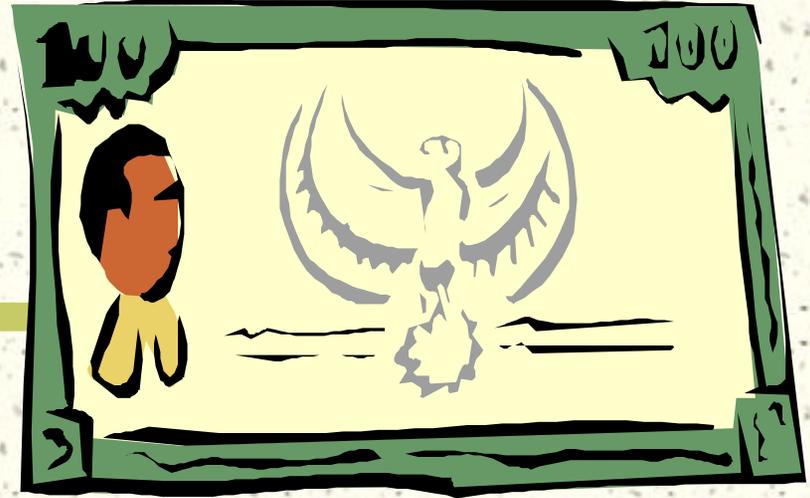


Investing 101



STOCK



- # A piece a corporation
- # Shareholders are **OWNERS**
- # Share in profits & losses

Shareholders "win" when...



- # A company grows
- # Stock becomes more valuable
- **CAPITAL APPRECIATION**
- Paper profit until you sell

Shareholders "win" when...



The firm is profitable.

#Mgt. may send investors a share of the profits

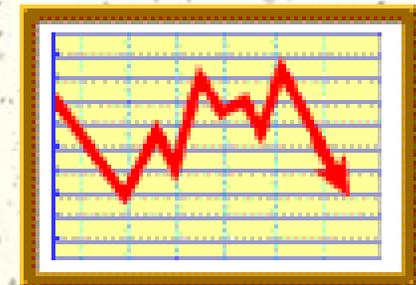
■ ***DIVIDEND***



Is a win guaranteed? **NO!**

* Stock prices can fall

■ **DEPRECIATION**



PROFITS \$

* No/low profits ->
no dividend paid

2 Kinds of Stock

COMMON

- # No fixed rate of return on your investment

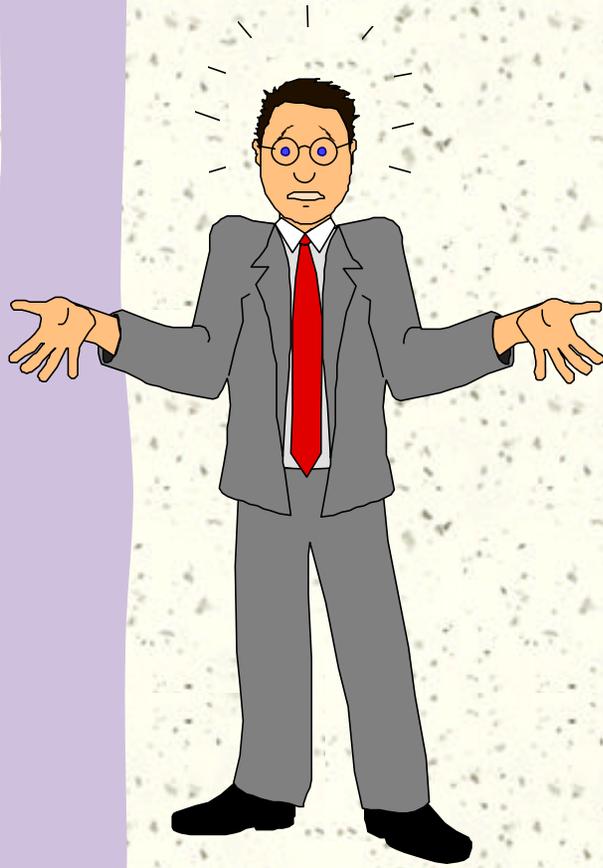


PREFERRED

- # Has a fixed rate of return
- # Preference over common stock in dividend distribution
- # Look for "pf" after the company name

How do I pick a stock?

Hit the **LIBRARY** !!



RESEARCH, RESEARCH, RESEARCH!

- Annual reports
- Company profiles
- Analysts' reports (ask a broker)
- Reference books
 - Value Line
 - Standard & Poor's
 - Moody's
- Newspapers

How do I pick a stock?

Search the **INTERNET!**

- # Company web sites
- # Investment advice sites



- younginvestor.com
- individualinvestor.com
- www.stockpoint.com
- Library.thinkquest.org/10326/investment_lessons/stock_information.html

What am I looking for ?

COMPANY PERFORMANCE

- Profit history
- Earnings (P/E ratio)
- Growth potential
- Good management?
- What do you think of their products?



What am I looking for ?

#THE BIGGER PICTURE

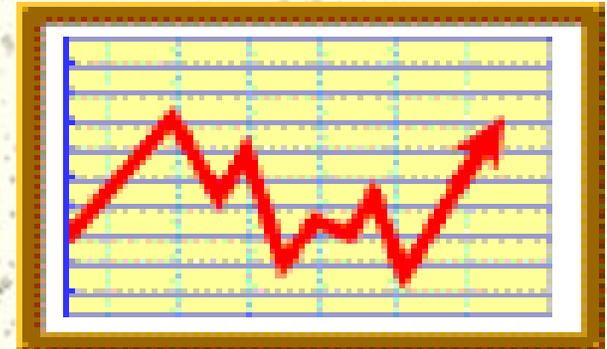
- Is this a growth industry?
- Impact of world events?
- Does a recession hurt or help the company?



What determines a STOCK'S PRICE ?

The stock market's like an auction . . .

- When more people REALLY want to buy, a stock's price rises
 - Rosy profit picture
 - Company's growing
 - Popular products



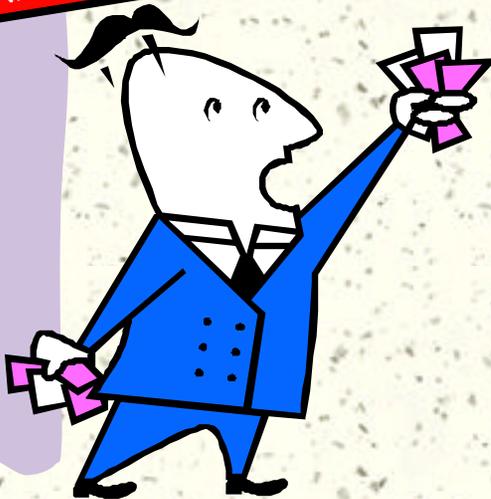
What determines a STOCK'S PRICE ?

When investors are BEARISH about a stock

- # Expect its price to go down & want to sell before it does
- # Selling pushes share price down



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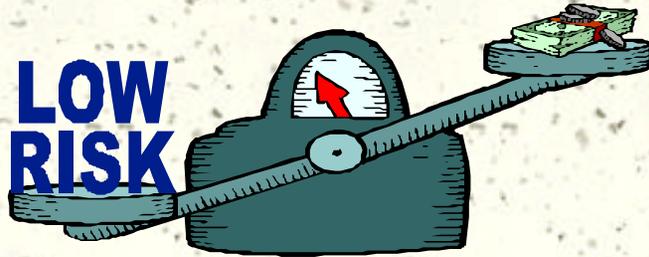


Don't forget COMMISSIONS



The fee
paid to
have your
stock
purchase
or sale
executed.

Risk vs. Rewards



- # Slow and steady is the pattern with stocks that are less risky.

- # Volatile stocks can bring big payoffs or big losses.



What's a MUTUAL FUND?

- # Investors pool their \$\$\$
- # Hire a fund manager
- # Mgr. buys an array of stocks
 - The fund's **PORTFOLIO**
- # Advantages:
 - Professional management
 - More diversification
 - Accept small \$ amounts



Are STOCKS & BONDS the same?

- # NO!
- # Shareholders are owners (INVESTORS)
- # Bondholders are creditors (LENDERS)
 - Bond stipulates the repayment schedule (principal + interest)



Plunge in & HAVE FUN !

