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STOCK INVESTING 101: BUYING, SELLING AND EARNING INCOME

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Stock Investing 101: Buying, Selling and Earning Income

Stock investing used to be out of reach for most people…

But thanks to the internet, smartphones, apps and more, it's suddenly easy and affordable to build a stock portfolio.

It's your chance to take your financial future into your own hands…

You can buy stock in companies you believe in… possibly earn regular payouts from your holdings… and have a chance to sell your position for a nice profit.

Of course, if you've never done it before, it might seem intimidating.

So this report is here to help.

Over the next few minutes, you'll learn everything you need to know to start buying and selling stocks.

(Even if you already know how the stock market works, you still might learn a thing or two.)

By the time we're done, you'll have one more tool in your investment arsenal — taking you one step closer to achieving your financial goals.

First, you need to understand exactly what you will be buying…

Buy a Piece of a Business

Just about every company in existence uses **stock shares** to represent ownership stakes in a business.

Using stock shares makes it clear who has the most say in a company's future, and it helps divvy up profits or assets.

Since one share is essentially the same as another, they're often called **equities**.

The vast majority of these companies are **private**.

That means only certain people are allowed to buy, hold and sell the shares. Generally, the pool is limited to the company's founders, executives and their close associates.

The only other people who can invest in the company are called **accredited investors**. These are people and individuals who, by law, must meet steep income requirements before they're allowed in.

You'll sometimes hear these deep-pocketed people called **venture capitalists, angel investors, private equity investors** and similar lofty terms.

But if a company wants to attract more investors, it could decide to go **public**.

Public vs. Private

Usually, "public" means something is government-owned but accessible to all, while "private" means access is limited.

Think of a public park vs. a private park… a public beach vs. a private one… or the differences between a public and a private school.

But in investing, a public company just means its stock shares trade on a regulated stock exchange, where anyone can buy them. The term has nothing to do with the business itself.

They decide to put their shares up for sale on a **stock exchange** — a regulated entity that provides an easy and efficient way for buyers to connect with sellers.

To be a stock investor, you'll need access to the stock exchanges. That's where your **stock broker** comes in...

Meet the Middle Man

Stock brokerages, usually shortened to just "brokers," are companies that are licensed to buy and sell stocks on their client's behalf.

To become a client, all you have to do is open and fund an account.

There are dozens of stock brokers to choose from, either online or in smartphone apps.

While most offer the exact same services, there are slight differences between them.

For help on choosing a broker, please see **"How to Choose the Best Brokerage Account for You,"** a FREE report from the Paradigm Press Wealth Desk.

The amount of money you'll need to deposit to get started differs. Some brokers don't have a minimum balance requirement, but you'll still need cash in your account to start buying stocks.

Your broker will hold that money until you withdraw it, transfer it or spend it to buy stocks. It will also hold any stock shares you buy — known as your **portfolio**.

You'll use your stock broker when you want to sell your shares, too. It will keep track of your profits and losses. And it provides forms to help you do your taxes each year.

With a funded brokerage account, you can start buying stocks.

And as we said, when you buy stock shares, you are technically buying an ownership stake in the company. The more shares you buy, the bigger your stake.

Don't get the wrong idea, however...

The Limits of Ownership

Companies issue and sell millions, even billions, of shares of stock. So unless you're incredibly wealthy, you'll never own a significant percentage of a company.

At best, you might be asked to vote on major business decisions — like whether the company should merge with another one.

Each share you own gives you one vote. So once again, it's unlikely you'll own enough of a stake to move the needle.

In fact, few shareholders ever exercise their voting rights.

Also, while your shares may make you a part-owner in the company... you're not an employee or even on the payroll. So don't expect a salary.

Instead, there are two major reasons for buying stock shares...

Buy Low, Sell High

The best-known way to profit with stocks is through **share appreciation.**

Cast Your Vote

Shareholders aren't asked to vote on things very often. If something comes up, you'll be invited to a shareholder meeting.

If you can't attend in person, you may receive a form to vote by **proxy**. It's essentially an absentee ballot, letting company representatives know your choices.

You're not required to vote. As we said, most shareholders don't. But it is your opportunity to have some say in what the business does next.

You buy the shares at one price, wait for the price to increase, then sell the shares — collecting a profit.

Companies like Amazon.com… Microsoft… and Nvidia famously saw their stock shares skyrocket in value, going from just a few dollars to triple-digits.

It can take a while for that to happen, though. And stock prices can fall as well as rise. So there's never any guarantee you'll see a profit.

The most decisive factor is supply and demand.

There are a limited number of shares available for any given public company. So their value at any given moment depends on how many people want them… and what they're willing to pay for them.

Every minute the markets are open, there's an active auction going on. Investors who want to buy shares **bid** for them. They're matched with shareholders who are looking to sell at their **asking price**.

If there are plenty of buyers but not enough sellers, the buyers will have to increase their bids for the stock — hoping to entice other shareholders to become sellers.

That's when a stock's price will rise.

But if sellers aren't finding enough buyers, they'll reduce the price they're asking for their stock shares — causing the stock's price to fall.

Don't Fear the Auction

Right now the stock market might sound hopelessly complicated — like you'll be bidding for fine art or prize cattle.

But don't stress over the details of how the trades are made. It's your broker's job to handle everything so it seems smooth on your end!

All these transactions pile up, sending the share's value higher or lower over time.

So the real question you need to ask is what causes stock demand to ebb and flow.

The Key to Stock Demand

There are many ways to determine what a company is worth. Perhaps the most common is **market capitalization** — usually abbreviated as "**market cap.**"

It's the total number of company stock shares multiplied by its current stock price.

Ford Motor Corp., for instance, has about 4 billion shares available for trading. If they're selling for $12 apiece, Ford's market cap is $48 billion.

Now, we're just using Ford because it's a well-known company with a relatively modest market cap.

In theory, $48 billion is how much you'd have to pay if you wanted to buy every available Ford share — which would give you complete control of the company.

Obviously something like that won't ever happen. But the mere fact that it could happen drives demand for the stock.

Imagine for a second that you had $50 billion lying around. Would you be willing to use that cash to buy Ford's entire business?

Your answer would likely depend on what kind of return on your money you'd see.

Maybe the sum of Ford's parts is worth more than the whole — meaning you could sell off all of its assets for a profit.

Or perhaps you expect the company to sell ever-more cars over the next few years... delivering profits that will justify your purchase price.

Comparing a company's value against its current and future business prospects is known as **fundamental analysis**.

Fundamental vs. Technical Analysis

Many stock traders don't care about a company's fundamentals. Instead, they use charts to track a stock's share price over time.

The ups and downs form patterns that can predict the prices investors will be willing to pay… or when sellers will start exiting their positions.

It's called **technical analysis**. And while the methods are complicated, they can also be very profitable… especially for short-term trades.

If an investor thinks a business will be worth more in the future, they'll buy the shares. It creates demand, which increases the share price.

When people think a company won't be as valuable in the future, they won't buy shares.

So shareholders will have to lower their asking price until it reaches what investors consider a fair valuation.

We'll dig more into that dynamic in a second. For now, you just need to understand that share appreciation isn't guaranteed.

When you buy a stock, you could lose money.

Some companies, however, will pay you to hold their shares…

Get Paid to Own Stocks

Dividends are small cash payments that companies can choose to send to their shareholders.

The reasons for paying dividends vary.

In some cases, it's for tax reasons. Certain corporate structures require companies to send a percentage of their earnings to shareholders.

Sending excess cash to shareholders is also a good way to keep them happy. And happy shareholders are more likely to vote the way you want them to when big decisions come up.

In a few cases, dividends can be a way to attract new shareholders. After all, you'd probably feel more confident about buying stock in a company that can literally afford to give money away.

Almost every company that pays dividends sends them out fairly regularly — annually, semi-annually, quarterly, sometimes even monthly.

The dividend is delivered on a per-share basis. So the more shares you own, the more money you'll receive.

If the company pays a 10-cent dividend and you hold 100 shares of the company's stock, you'll get $10 with each payout. Own 1,000 shares and you'll get $100.

Companies can elect to change their dividend at any time — increasing or decreasing the amount or frequency of payouts… or sometimes even doing away with its dividend altogether.

They can also elect to pay special dividends — one-time extra-large dividends. In some cases, in lieu of cash, a company may issue the dividend in the form of stock shares.

If you have a small account, the payouts will seem small at first. But they can add up. In fact, dividends can eventually be a good source of regular income.

Combining dividends and capital gains will put you on the path towards financial independence.

And now that you know what you'll be buying and why, let's get into the "how."

Finding the Right Stock to Buy

With a brokerage account, you're free to buy shares of just about any public company you can name.

Just as an example, let's say you would like to own a piece of Apple Inc., the company behind iPhones, iPads and more.

(We're only using Apple because it's a well-known company. Like our Ford example earlier, this is NOT an official stock recommendation.)

Every publicly traded company is assigned a short code of letters, known as a **ticker symbol**. Most are made up of one to four letters, though they can be longer.

Your broker's platform should have a search function. If you enter "Apple Inc.," it should tell you that its ticker is AAPL.

Keep in mind that a lot of companies have similar names, so you'll want to make sure you look up the right one.

For example, you might accidentally bring up Apple Hospitality — APLE — a real estate company...

Your broker's app or website should have more information about the company you're looking at. Look for details about the company's **sector**, **industry** or just a business summary to make sure you have the right one.

Sectors and Industries

Wall Street categorizes companies by the type of business they're in. A "sector" is a broad category, like manufacturing or transportation.

An "industry" is a subset of a sector, like an electronics manufacturer or an airline.

Knowing a company's sector and industry makes it easier to find and compare similar companies you may wish to buy stock in.

After you've confirmed you have the stock you want, it's time to buy it!

How Many Shares Do You Want?

If you're looking at a stock's information page on your broker's trading platform, you should see an option to "buy" or "trade" it.

Clicking that button should open another window.

Your broker will want to know how many shares you want to buy. Obviously the maximum you can buy depends on the amount of cash you have in your brokerage account.

If you have $10,000 deposited and Apple shares are trading for $150, the maximum you can buy is 66 shares.

But never put all of your money into a single stock. It's better to buy shares of several different companies.

It gives your portfolio **diversification** — which means you're not depending on a single company for profits.

Remember, stock shares can decrease in value. And if you use all of your investment capital in one stock, your success or failure rests entirely on that stock.

So let's buy a smaller position — just 10 shares.

But before you submit your order, there's another very important choice to make...

Don't Pay Market Price

As we said earlier, a stock's price is always in motion thanks to supply and demand.

When you want to buy a stock, you have some control over the price you pay. The amount of control is determined by the type of **order** you use.

If you want to buy stock shares no matter what the price, you will use a **market order**.

It simply tells your broker to buy the stock immediately at the best available price.

Let's say Apple shares are trading for $155. If you place a market order to buy 10 shares, your order will go through immediately.

Your broker will remove the cash from your account and deposit the shares you now own.

But let's say a large buy order for Apple goes in just as you're placing your order. It could push the share price higher… and you could end up paying $156 or more for the stock.

The problem could be much more serious if you buy a smaller stock, which tend to be more volatile.

Smaller companies generally don't have a huge supply of shares. They're also not traded very often. So any sudden demand for the company's stock can cause a price spike… which can instantly disappear as the surge dies down.

In these cases, your purchase price could be much higher — or much lower — than it was when you placed your order.

So the Paradigm Press team usually recommends a strategy that prevents you from paying too much…

Choose Your Price

Instead of a market order, you can buy a stock by placing a **limit order**.

It's an instruction to your broker NOT to buy the stock if it's above the limit price.

Let's say you don't want to pay more than $155 for shares of Apple. So you'd set your limit price at $155.

Now it doesn't matter if a large order goes in before you. If your broker can't buy the shares for $155 or less, they won't execute the order.

Instead, your instructions will stay on your broker's books as a **pending**

order. It will remain pending until Apple shares fall to $155 or below — at which point your broker will try to fill it.

Since a limit order represents the most you are willing to pay, you may end up paying less for the stock.

For example, if Apple shares fall to $150 when you submit your $155 limit order, your broker will execute the trade for you. But you'll be charged the going price for the stock — $150.

In other words, you'll pay $150 a share for a stock you were willing to pay $155 for!

Some brokers also give you an option to choose how long you want your limit order to stay active — its **duration**.

Don't Forget to Cancel Old Orders

One of the most common durations is a **day order**. It automatically expires when the market closes.

Continuing our example, if Apple shares don't drop below $155 by the time Wall Street goes home, your order will be deleted from your broker's system.

If you still want to buy shares, you'll need to submit a new order once the markets reopen.

A **good-to-canceled (GTC)** order stays in your broker's system until you cancel it.

(Although some brokers have time limits on GTC orders, automatically canceling them after a set period of time, such as 60 days.)

Let's say you put in a $155 limit order on Apple shares, but the price stays above $155 for a week before finally falling.

Your order will go through — and you will end up owning the stock.

So if you have a GTC order, watch it carefully. If it's not canceled, you could end up with a stock you no longer want.

Other Order Types

Your broker may offer additional order types, such as a stop order or a stop limit order.

These are generally used for more sophisticated trading strategies. So there's no need to worry about them if you're just starting out.

When your order is filled and the shares are in your account — congratulations!

You've just bought your first stock.

Now you just need to wait.

Collecting Dividends

If your stock pays dividends, you'll be eligible to receive the cash. When the company makes its payouts, the money will be deposited right into your account.

Let's pretend that you bought 10 shares of Apple stock.

Right now, Apple pays 24 cents per share every quarter. That means sometime in the next three months, you can expect your cash balance to increase by $2.40.

No, it's not enough money to change your life. You'll need to buy a lot more shares of Apple for the income to really matter.

Still, it's money you've earned free and clear. You can let it pile up in your brokerage account. You can transfer it to your bank account. You can even use it to buy more shares of stock.

And while that's happening, you can wait for a good opportunity to sell your shares.

Be Ready for Ups and Downs

The value of the stock shares you're holding will fluctuate up and down.

Compound Your Wealth With DRIPs

Some brokers let you automatically put your payouts towards more shares of stocks. It's known as a **dividend reinvestment plan** or program — shortened as **DRIP**.

When you sign up, every dividend payment buys you more shares of the stock that paid it — even fractional shares.

And since dividends are paid per share, you stand to collect more money in the next payout… which buys more shares that yield more dividends!

Your broker's software will show you whether you're looking at a profit or a loss.

Don't panic if you log in and see a negative number. Stock prices can and do fall. They can also recover — taking you into positive territory.

In fact, any gains or losses you're seeing are **on paper**.

A **paper loss** means you'd lose money if you sold the position right now. A **paper profit** means who can sell your position for more than you paid for it.

When you actually sell the position, you'll have a **realized gain** or **loss**.

Until then, don't stress over every incremental up and down.

Instead, look for big, sudden price jumps… or see if the price seems to be trending higher or lower over time.

If you start to worry about the paper losses or are eager to collect your paper gains, it's time to go searching for a cause.

Check the Big Picture for a Sell Signal

You never want to sell a stock based on a knee-jerk reaction. If you liked a stock enough to buy it, you should have a solid reason to let it go.

So before you make a move, spend some time trying to figure out what's happening with the stock's price.

First, see if the problem is isolated to your stock shares, or if there are problems in the overall stock market.

A good gauge for trouble are **stock indexes**, a group of stocks that are tracked as a single unit.

For example, the **Dow Jones Industrial Average (DJIA)** represents 30 of the biggest stocks on the exchange. **The Standard & Poor's (S&P) 500** represents 500 companies on the exchange.

When someone says the market is up or down, they usually mean a popular index is higher or lower than it has been.

If stock prices are rising overall, it's known as a **bull market**. If prices are generally falling, it's a **bear market**.

So if the indexes are falling, you should look for **macroeconomic** factors that are causing the drop.

Forces Beyond Your Control

Macroeconomics looks at large, geopolitical forces that can influence stock prices.

For instance, investors pay close attention to the Federal Reserve's interest rate decisions. A single Fed press release can cause big moves in the entire market.

Other macroeconomic factors include statistical releases, like unemployment numbers or GDP... political events, like pending legislation or elections... global tensions, like terrorism or threats of war.

Companies can't really control things like these. So if macroeconomic forces are impacting your stock's price, you'll have to determine how well the company can deal with them.

Apple Inc., for example, depends on Chinese factories for a large chunk of its products. It also sells a lot of them there, too.

So tensions between China and the United States, whether it be trade tariffs or threats involving Taiwan, are likely to push Apple shares lower.

That could be a good reason to sell your position… or you might determine that investors are overreacting and will want to hold your shares expecting a rebound.

Buying the Dips

If a stock's price falls but you expect a rebound, you can consider adding new shares to your portfolio at the new lower price.

It's called **buying the dips**, and it could help compound your gains and dividends. But only do it if you have a good reason to believe the share price will turn around in short order.

If there doesn't seem to be a macroeconomic reason for your stock's price to be falling, you can look at what's happening with the company itself.

Understanding Earnings

By law, public companies must disclose any information that could affect their stock shares.

So just about every company that trades on a stock exchange has an **investor relations** website.

There you'll find financial information… regulatory documents… corporate press releases… investor presentations and more.

Perhaps the most important data is the company's **earnings report**.

Every three months, companies must reveal every financial statistic for the quarter, from how much money it brought in to how much money it cost to keep the business running.

Most investors focus on the company's **earnings per share**. That is, if the company distributed all of its profits to shareholders, how much would each share be worth.

(Remember, the company does NOT actually share its profits with shareholders. At best, it returns *some* of that cash in the form of dividends.)

In some cases, the earnings per share might be negative — meaning the company didn't make a profit that quarter.

That's not necessarily a bad thing.

Large and established companies tend to have enough cash to suffer bad quarters.

New and growing companies may take years to turn a profit — but can be worth buying if their future prospects look good.

What's important is whether the company has a plan to reach or maintain profitability... and whether its plans meet expectations.

Expectations and Reality

Most corporate earnings reports include **forward guidance** — the company's prediction of how its numbers will look in the next quarter and for its full fiscal year.

They may update their forecasts between earnings reports, based on new data and business developments.

Wall Street analysts pore over this data and come to their own conclusions, releasing **earnings estimates** — their best guess for the company's next earnings report.

The more popular a company is, the more analysts will cover it. Financial news and information sites average all of these guesses to create a **consensus estimate**.

When the next quarter rolls around, the consensus estimate is compared to the company's reported numbers.

The company could **meet expectations** — delivering numbers that are in line with analysts' guesses. If it doesn't, it's called an **earnings surprise**.

Maybe it will **miss expectations**, performing worse than the experts expected.

There's also a chance it could **beat expectations**, turning in profits far greater than Wall Street thought would happen.

Those three outcomes can have a huge effect on a stock's price.

People will be more likely to sell their stock shares if the company misses its mark. And investors may rush in to buy shares of a stock that beats expectations.

You can use the information you've found to decide whether to sell your stock shares. Once you've made up your mind, the next step should be easy.

When It's Time to Sell

You're free to sell your stock shares at any time — whether you're sitting on a loss or a profit.

And you don't have to sell your entire position at once.

If you own 10 shares of a stock, you can sell five of them to lock in gains or free up cash... while still holding on to five that could deliver capital gains and dividends.

All you have to do is log into your broker's website or app, then find the stock in your portfolio. There should be a button that lets you make a transaction or sell the stock.

Select that option and you'll be taken to an order screen. From here, the process is largely the same as when you bought the stock.

You'll have to specify how many shares you wish to sell. After that, you'll put in your order type.

A market order tells your broker to execute your trade immediately, meaning you'll sell no matter what price the stock is trading at.

You'll also have the option to put in a limit order, though it works a little different when you're selling.

Choose Your Profit Point

When buying a stock, a limit order specifies the most you're willing to pay for it. When selling, a limit order sets the least you're willing to receive for the stock.

That's because a **sell limit order** only triggers if the stock is at or above the price you set.

Let's say you bought Apple Inc. shares and now want to sell them for $165 or better.

If you submit a **sell limit order** set for $165, your broker won't make a move unless Apple is trading for $165 or more.

If Apple is trading for $167 when your order goes in, the trade will trigger right away… and you'll receive $167.

If Apple is at, say, $164 when you submit your sell limit order, the instructions won't trigger until Apple's price goes up $1.

You can also choose how long the order is in force — with a day order or one that's GTC.

That gives you the power to set up profitable sell alerts in advance. For example, if you buy Apple shares for $155, you can immediately set a GTC sell order for $165.

The order will sit there for weeks, even months… however long your broker keeps a GTC order open. If Apple shares hit $165, your broker will automatically sell your shares for a profit!

Just remember that stock prices can fall down… and stay down for a long, long time. If you have a sell limit order in place, it won't get triggered.

As your position continues to lose value, you may wish to modify or cancel your limit order — maybe even change it to a market order to prevent more losses.

A Quick Note on Taxes

In most brokerage accounts, you'll be taxed on any dividends you receive during the year as well as any realized profits from selling stock shares — known as **capital gains**.

Profits from stocks you owned for less than a year are considered **short-term capital gains** and are generally taxed at a higher rate than **long-term capital gains**.

Your broker or a tax adviser can help you figure out exactly what you owe Uncle Sam.

Stop Losing Money

If your stock is showing profits, you'll probably feel pretty happy — until the worry sets in.

Stock prices can go down, too… meaning there's a chance your profit will disappear.

But some brokers let you set sell orders that can put your mind at ease.

A **sell stop order** triggers when a stock falls to a price you specify.

Let's say you bought Apple stock for $155, and your shares now trade for $165.

You could set a GTC sell stop order at a price of $160. It would sit in your broker's system until Apple shares drop to $160… at which point your broker will automatically sell the number of shares you specified.

The move netted you a profit… and you didn't have to lift a finger.

Your broker may also offer a more sophisticated type of order called a **trailing stop order**. Its price rises as the stock's price goes higher, giving you a chance to protect even more of your gains.

Let's say Apple stock is selling for $155. Depending on your broker, you could have a choice to set a trailing stop sell order.

You just have to specify how far you're willing to see the stock fall before you sell — either as a percentage or fixed dollar amount.

Setting a 10% trailing stop means the order will trigger when the stock falls 10%, or $139.50 in this example. With a $10 trailing stop, Apple would have to fall to $145 before your broker takes action.

Trailing Stops Aren't Stop-Limit Orders

While trailing stop orders are uncommon, your broker may offer stop-limit orders.

They're usually used for more sophisticated trading strategies, so you don't have to worry about them for now.

If Apple shares rise in price, the trailing stop rises with it. At $160, your 10% trailing stop order triggers at $144. The $10 trailing stop triggers at $150.

But the trailing stop only increases, never decreases. If Apple goes to $160, then falls to $157, your order will still trigger at $144 for the 10% stop and at $150 for the $10.

Not every broker offers trailing stop orders, though. So you can set a standard stop order, then manually adjust its price to fit the stock's current price.

Whatever type of sell order you use, once it's filled, you're out of the position.

After a Successful Sale

When your sell order is triggered, your shares will be removed from your portfolio. Then the proceeds from the sale will be deposited into your account.

Obviously you no longer have any claim to the shares… so you won't have any say in shareholder decisions and won't receive any more dividends.

And in all but the worst case, you will receive cash from the sale. It might be less than you started with. Or it could be a nice profit.

Either way, that cash is now yours. You can transfer it to your bank account… or use it to buy more shares of stock.

Once you have the stock market basics down, you open up an entirely new world of investment possibilities.

Let's look at some of the other types of shares that trade on stock exchanges.

A Piece of a Much Bigger Pie

As we mentioned, most of the shares that change hands on the stock exchange represent part-ownership in a business.

But shares can also represent other assets.

Perhaps the best-known examples are **exchange-traded funds (ETFs)**.

An ETF starts with a pool of similar assets held by a financial institution.

The assets can be stock shares… bonds… precious metals… real estate… commodities… more complicated instruments like stock options or futures contracts… or even a combination of several asset types.

The issuing institution then creates and sells shares representing an ownership stake in the pool of assets. In other words, buying an ETF share is like owning the assets themselves.

Consider the SPDR Gold Trust (ticker: GLD), which holds a large amount of gold. You can buy shares on the stock exchange just like any other stock. And each share represents an ownership stake in GLD's holdings.

That doesn't mean you can ask to have the gold delivered. Instead, you want the gold to increase in value, which will make your ownership stake more valuable. Then you can sell your stake, collecting a profit.

You can find ETFs for just about everything, from energy stocks to foreign currencies.

If you've never heard of ETFs before, you still might know about their popular subset — **index funds**.

Buy the Whole Market at Once

We briefly discussed indexes earlier — groups of stocks that are tracked together to give a general impression of how the markets are doing.

But buying every single stock that makes up an index could get expensive in a hurry.

That's where index funds come in.

An index fund is an ETF whose pool of assets include every stock in a specific index.

For example, buying shares of the SPDR S&P 500 ETF Trust (ticker: SPY) is like buying every stock in the index in a single transaction.

What's more, the fund managers try to keep the ETF's price at roughly 1/100th of the index's value.

In other words, if the S&P 500 is at 4,500, you can expect SPY shares to be trading for around $45. A whole index at literally a fraction of the price!

Any dividends the fund managers receive are passed along to you, too.

While that may sound great, keep in mind that buying an index fund is considered **passive investing**. You don't do anything but wait and see if the indexes keep going higher.

At Paradigm Press, we believe individual stocks can deliver much better gains than the indexes as a whole. Our team is hard at work every day, digging deep to find potential big winners that others have overlooked.

We'll also introduce you to some of the other kinds of investments you can buy from your broker.

Your Next Steps

There are more ways to invest in the stock market than we can cover here.

Your brokerage account gives you access to:

- **Real estate investment trusts (REITs)**, which deliver income from properties and buildings...
- **Master limited partnerships (MLPs)**, which entitle you a portion of a business' income...
- **Preferred shares**, special stock issuances with higher-than-average dividends...
- **Stock options**, tradeable contracts that can help you turn small stock moves into giant profits...

And much, much more.

But hopefully we've given you enough information to start your investment journey.

If you still don't feel confident, see if your broker offers a demo account. You can test out its platform using fake money — letting you see how it works without risking anything.

There are also plenty of free simulators you can try, like the one offered by **Investopedia**.

Once you get the hang of it, we know you'll be hooked.

When you're ready to start building your account for real, count on Paradigm Press to guide you to the best investments you can buy.

We look forward to helping you achieve your financial goals!