PROSPERITY RESEARCH

The Beginner's Guide to Investing

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MAYBE your goal is to provide a comfortable life for you and your loved ones…

Or perhaps you've followed the success of billionaire investors like Warren Buffett, Bill Gates, Carl Icahn and others and thought to yourself, "If they could do it, why can't I?"

Or it could be the realization that simply depositing money in a bank account offering next to zero interest won't get you anywhere…

Whatever your reasons for wanting to build wealth through investing, you've already got the desire and drive.

Now it's time to take action.

The first step to becoming a successful investor is knowing how to start.

Step 1: Opening a Brokerage Account

Here's how to open a brokerage account so you can make your first investments in the stock market.

We'll go over the different types of brokerage accounts available and how to decide which is right for you.

First, let's go over two types of brokerage firms.

Brokerage firms fall into two categories: full service and discount brokerages.

A full service broker is a licensed financial brokerage firm that provides a large variety of services to its clients. This can include research and advice, retirement planning, tax tips and much more.

It's very easy to open your personal account with a full service broker to simply buy and sell stocks and other financial assets. However, you can expect to pay higher commissions.

Full service brokers include Fidelity, Goldman Sachs and Morgan Stanley to name a few.

The second type of brokerage firm available is known as a discount broker.

Discount brokers cater to investors who simply want to execute buy and sell orders without any extra services and charge little to no commission fees for doing so.

They're often referred to as online brokers as they require you to place orders over the internet. Because of the low fee, they typically require funds to be in your account at the time a trade is placed.

Discounted brokers include TD Ameritrade, E-Trade and Scottrade, but you can easily Google discount brokers to find more.

Whichever type of brokerage firm you choose, signing up is easy. You can apply online through a simple form.

On your application, you'll find you are required to designate the type of account and form of ownership for the account.

It's best to contact your broker or your tax advisor for advice on designating which type is best for you.

They can also help you with any additional options available, like adding margin to your account.

Once you have your account open, you'll need to add funds.

Most brokerage firms will accept different ways of adding money, such as a check, cash year's check, stock and bond deposits, or transfers from other brokers and banks.

Now you may be wondering, what if I already have a brokerage account, but want to switch to another brokerage firm? No problem.

You can easily transfer your assets to a new broker by filling out a simple form your brokerage firm will provide.

A transfer usually takes a couple of weeks.

Now, you may want to confirm with the new broker that all of your assets will transfer as some have proprietary funds. These proprietary funds may hold up the process if you don't disclose them beforehand.

Once you've opened your account and added funds to it, you'll be ready to start trading stocks and well on your way to building wealth.

Step 2: How to Place Orders Like a Pro

Now that you've opened your brokerage account, it's time to start placing orders.

All brokers have websites or software for you to use to place orders. Most will also offer broker-assisted trades, so you can place an order over the phone. They won't give you any advice on your trades.

Instead, they'll help you with selecting the type of trade you want.

But know that the broker will charge a higher commission for assisting you. You'll find it's easy to place orders yourself once you understand a few simple things we'll cover now.

The first thing you're going to see is three prices when placing an order: The bid price, the asking price and the last price.

- ✅ **The bid price** is the highest amount per share. Another investor is willing to pay for the stock at that moment.
- ✅ **The asking price** is the lowest amount someone is willing to sell shares of the stock for at that moment.
- ✅ **The last price** shows the most recent price the stock was sold for per share.

So, let's say you wanted to buy shares of XYZ company and you're willing to pay the asking price. Well then, that order can be executed right away.

Or if you're looking to sell XYZ shares and you're willing to accept the bid price, that order too can be executed right away.

However, those are the prices right now, and they can change any second.

The difference between the ask and bid price is called the bid-ask spread.

The smaller the spread, the more popular the stock. Less popular stocks will have a wider bid-ask spread, which can be a sign of illiquidity.

Liquidity has to do with how many shares of a company are traded on a daily and weekly basis.

Now, there are two different ways of placing orders, market and limit orders.

The simplest is **market orders**. Market orders guarantee the buying or selling of shares, but not the price you'll pay or receive for them.

That's because market orders simply tell the broker to buy the asking price or sell at the bidding price. Because those change constantly, the order may execute at a different price than the one you last saw.

Next are **limit orders**, which allow you to specify the maximum price you're willing to pay per share or the minimum price you would sell them.

In each case, your order will only be fulfilled if another investor meets or beats your limit price.

As you can probably guess, the trade-off between market orders and limit orders is that market orders have a greater likelihood of being filled, while limit orders guarantee that your order will not be filled at a price other than that which you've specified.

But keep in mind, it's never a sure thing that any order of any kind will be filled.

Whether placed as a market order or a limit order, it all comes down to availability.

As always, you should talk to a tax professional or your broker for advice specific to your situation.

Step 3: Understanding the Basics of Investing Terminology

Now that you've entered the world of investing, you should familiarize yourself with some of the most common investment terminology you'll encounter.

It's important to learn the difference between speculation and investing.

Investing is usually defined as buying anything with reasonable belief or expectation it will result in a gain to leave you better off financially, but there's more to it than that.

Your goal shouldn't just be to make money, it should be to have more purchasing power.

And why is having more purchasing power important? One word: inflation.

Inflation is a measure of the loss of a currency's value relative to the goods it can buy.

Put simply, when inflation is on the rise, it chips away at how much value your hard-earned dollar is worth.

By focusing on outpacing inflation and increasing your purchasing power, you'll not only make smarter financial decisions but also see better investment results.

Speculation is the anticipation of future price movement based on a belief the asset is currently priced inaccurately.

However, speculative transactions are often based more on a hunch and less on data.

While the rewards can be great, speculation can leave you with unnecessary risk over the long term, so it may not be suitable for every investor.

Now, let's go over some common questions and terminology you'll encounter.

What is a share?

You may have heard the term shares of a stock or shareholders and wondered what a share was.

Companies tend to go public with the goal of raising capital so they can expand their businesses.

In doing so, shares of the company's stock are made available to investors to purchase on the stock market.

Anyone who does buy one or more of those shares becomes a part owner, but just because the company is on the stock market doesn't mean they're worth investing in.

That's why our research services can be an indispensable aid on your investment journey.

Now, let's do a quick stock market overview.

One of the greatest advantages of the stock market is that you can invest into big-name companies that are already successful.

You don't have any responsibility to run the company, but you can reap the rewards of its success.

You may already know that publicly held companies are traded on stock exchanges like the New York Stock Exchange or NASDAQ.

Since prices are filtered through a single location, it allows you to immediately see what a share of a stock is worth.

We often hear the question, **how do I make money from stocks?**

The two ways to make money with stocks are through capital appreciation and dividends.

Capital appreciation is simply the age-old adage of buying low and selling high.

With dividends, some companies will pay you a certain amount for every share you hold, and those payments are dispersed regularly to shareholders in these companies.

You can add both depreciation and dividends together to calculate a stock's total return.

Another term you're likely to encounter is stock split.

This occurs when a company wants its share price to change without changing the underlying value of the stock that you hold.

For example, if you have one share of a stock that is worth $100, it could change to two shares at $50 or four shares at $25 and so on.

Hopefully, you are now more familiar with some of the most common terminology used in the world of investing.

To Get Started…

For each of your Prosperity Research services, we share a "blueprint" or "strategy guide" to show you our investing approach.

You can find them in the "Getting Started" tab.

We also provide you with weekly updates on our stocks or what's happening in the markets.

And for every recommendation, we will send you a trade alert with details about what to buy or when to sell a position.

If you have any questions, please reach out to us.

You can call us at **1-800-332-9305**. Submit a question online **here**.

Or email us at **Feedback@ProsperityResearch.com.**

We look forward to a long and prosperous relationship together.

Regards,

Your Prosperity Research Team

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