

How to Invest in Stocks

If you are a first time investor you are no doubt wondering what the best investment vehicles to get involved with are. There are many to choose from including stocks, bond, and mutual funds. This article will focus on stocks and how to invest in them.

Before you can invest in stocks you have to understand what they are. Stocks are paper assets companies use to raise money for many different purposes. If you purchase stock, you become part owner of that company.

In order for a company to sell stocks they have to be registered and given a ticker symbol. This is an identification tag for a stock. By this symbol, people will know the company and stock. Companies sell different kinds of stocks including blue chip and penny stocks. Blue chips stocks are the best and are considered the safest because the companies the stocks represent are financially secure. These are the type of stocks that guaranteed to pay dividends.

When a company does its financials at the end of the quarter or year, if the company made a profit, it determines whether to pay a certain amount to stockholders. This money the company pays out is known as a dividend.

When investing in stocks there are certain things you need to know. If you do not go through a broker you can invest in a company by using three different methods. These methods are:

- The company's direct stock purchase plan. There are a number of companies that offer direct stock purchase plans. Why buy through a broker when you can buy direct.
- Use a DRIP program. If the company you are interested in does not have a direct stock purchase plan, you may be able to go for their dividend reinvestment plan (DRIP), if they have one available. This is a great tool for growing your portfolio but you must own at least one share of the company before you can enroll.
- Buy through a specialized service. When you are ready to buy stocks, there are companies that are willing to sell you stocks on an individual basis. Instead of buying a large amount of stocks, just go for one or a few initially. Then you can buy more later.

If you rather buy stocks through a broker, you must realize that you will have to pay a commission. This is a consequence of using a broker. If you don't want to deal in stocks directly, dealing with a broker is the best method. Here are steps you can take to buy from a broker:

- New accounts require a deposit. If you are new to buy stocks and use a broker, you will need to open an account and deposit at least \$500 to \$1000.
- Use a discount broker. A discount broker deals with self-directed investors. With them, you do all the work; they just buy and sell for you. Your commission with them could be anywhere from \$8 to \$30 dollars.

Stocks are not that hard an investment vehicle. You just have to know the players and how to play the game.