

DIVING INTO THE STOCK MARKET

TOP 5 THINGS YOU NEED TO KNOW

1 HOW DOES IT WORK?



When you buy a stock, you become a shareholder, which means you own a part of the company. As a shareholder, you can benefit from the growth of your stock in a company, but also experience losses when your stock declines in value.

2 WHAT ARE THE DIFFERENT TYPES OF STOCKS?

Common Stock

As it is titled, this is the most “common” form of stock ownership. Common shareholders own their separate share of the company and each share represents a portion of ownership. Common shareholders typically have voting rights and as such, they can usually vote to elect the board members who oversee the major decisions of the company. Common shareholders have higher risk and higher reward as compared to Preferred shareholders.



Preferred Stock

Investors maintain some degree of ownership in a company but usually don't receive the same voting rights as common stock. In addition, preferred shareholders usually get paid a fixed dividend, whose payment receives priority over common stock dividends. Lower risk, and lower reward as compared to Common shareholders.

3 HOW DO STOCKS GET PRICED?

A company will auction stocks to the general public through an Initial Public Offering (IPO). The initial pricing will be dependent on a variety of factors such as profitability, growth rate, company reputation, initial investor demand, etc.

After the initial IPO, a company's share price will fluctuate based on ongoing investor demand.

4 HOW ARE STOCKS TRADED?



Stocks are traded on exchanges, which are places where buyers and sellers meet and decide on a price. The exchanges are at a physical location, like the New York Stock Exchange or a virtual setting, where they are done electronically. The stock market helps to facilitate the exchange of securities between buyers and sellers, reducing the risks of investing.

5 WHAT'S THE RISK FACTOR?

It varies, depending on the company, industry, geographic location, etc. Generally, investing in mature well-established companies will carry a lower level of investment risk as compared to investing in a smaller, less established company. Also, investment risk increases when investing in companies that are based and/or primarily operated outside the US.



READY TO GET STARTED?



If you're ready to invest in the stock market the next step is to complete a risk tolerance questionnaire. While not an exact science, establishing your risk profile will help you better understand how much risk you should have in your portfolio.

[Complete Your Risk Tolerance Questionnaire Here](#)

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