12-1 Researching Investments

OBJECTIVES

- ***Describe the types of financial information found in magazines, newspapers, and newsletters.***
- ***Describe the type of data found in company reports.***
- ***Explain how to find investing information on the Internet.***
- ***List figures that can be used to compare the performance or value of companies.***
- ***Explain how investment professionals help investors.***

Chapter 12 covers the basics of buying and selling investments. You will learn about doing research before you invest to help you make better choices. Much information about investing is available. Some information is free; some is very costly. You will also learn about many regulatory agencies. They are designed to protect you, the investor, when you buy and sell securities.

SOURCES OF INFORMATION

Some people hire a stockbroker or financial planner to help them choose investments. Other people do research and make choices on their own. Either way, investors need a basic knowledge of financial markets. Keeping informed about current market conditions helps investors make better choices.

MAGAZINES

Business magazines, such as BusinessWeek, Fortune, and Forbes, contain information that can be helpful to investors. In these magazines, you can read business articles and get experts' opinions on various topics related to investing and the economy. For example, suppose the experts say that the economy is growing. As a result, you can expect interest rates to rise. Knowing this, you may want to avoid buying a CD or bond with a low, fixed rate. Reading business magazines can help you understand the economy and the markets. This, in turn, will help you choose the right investments at the right times. You can also find good information in news magazines such as Time, Newsweek, and U.S. News & World Report. Read these magazines to study world events that affect the economy and investments. The magazines also have regular features that include financial advice. Several magazines give information about saving, investing, and personal finance. Examples include Money, Consumer Reports, and SmartMoney. You can read articles in these magazines about people who have been successful. The articles can help you can learn from their mistakes and profit from their successes.

NEWSPAPERS

One of the best sources for current information is the financial sections of newspapers. You will find articles about business triumphs and failures. You can read about new products and services. You will also see articles about the latest business scandals and frauds. Price quotes for securities are provided in many newspapers. The word securities refers to stocks, bonds, mutual funds, and other investments. The information you learn can help you make better investment choices. The Wall Street Journal and Barron's are two national newspapers that report financial news and other events that affect markets. They provide market price quotes and articles about national and world events. These articles discuss market data and predict how it will affect the stock market. For example, when the Fed raises interest rates, different parts of the market are affected in different ways. (The credit industry will benefit, and stock prices will rise.) These newspapers are geared to the business world, but consumers can benefit from reading them as well.

INVESTOR NEWSLETTERS

Many financial advisors prepare free newsletters for their clients. The newsletters contain data about economic events and trends. The advisors may also make comments about certain stocks, bonds, or mutual funds. They may recommend that investors buy or sell securities. This data can help investors decide how to manage their portfolios. Investors can subscribe to newsletters that give financial advice. Examples of these newsletters are Standard & Poor's Stock Reports, Moody's Investor Service, and Value Line Investment Survey. The newsletters may discuss how to reduce risk, changing market conditions, stocks to watch, and other information related to investing. Subscriptions to newsletters may cost from $50 to $1,000 per year.

COMPANY REPORTS

All companies that sell stock to the public must publish yearly annual reports. An annual report is a company's report to shareholders about the financial position of the company. It also tells about profits or losses and plans for the future. These reports are free, and many are available online as well as in print. A page from an annual report is shown in Figure 12-1.1 on page 349. This page gives information about the company stock and dividends. Annual reports include information that investors can use to compare one company to another. You can see how each company is doing over time. If you are considering investing in a company, learn as much as you can about the company.

THE INTERNET

Investors can find information about companies, products, and market trends on the Internet. One of the best ways to find information is to use a search engine. Google, Yahoo, and other search engines allow users to search for data on almost any topic. Users can find out about companies, stocks, bonds, mutual funds, brokerage firms, and banks. Many businesses provide company data on their Web sites. You can find a company Web site by entering its name in a search engine. Some sites allow investors to set up a free account and monitor investments.

USING RESEARCH DATA

A great deal of information about investing is available in print and online. Investors need to know about the economy and current market trends. They also need to learn about specific companies or funds in which they may want to invest. News articles are a good source of information on the economy and markets. Annual reports and online profiles are good sources of data about specific companies or mutual funds. Web sites such as Yahoo! Finance allow the user to enter a company symbol to find data about the company. The current stock price for the company is given. News articles related to the company or industry may also appear. A history of stock prices, stock splits, and dividend data is available. Key numbers and financial statements are provided. Much of the same data can be found in company annual reports. Data is also available for mutual funds. All this data can help investors evaluate the company or mutual fund. With so much data available, investors may feel overwhelmed. They may not understand all the data or know how to compare companies or funds. Investors who plan to choose stocks or mutual funds on their own may want to take classes or read books to learn more about investing. Many investors seek advice from experts when deciding how to invest.

ADVICE FROM PROFESSIONALS

Choosing which stock, bond, mutual fund, or other investment to buy is an important decision. Many investors seek advice from experts in the investing field. A fee is typically charged for investment advice or for making a sale or purchase for an investor. A stockbroker is a person who buys and sells securities on behalf of others. Stockbrokers may also provide advice on which products to buy. The broker will make commissions on the items the investor buys. A financial planner is an advisor who helps people make investment decisions to meet stated goals. Typically, investors are asked to give data about assets owned and income earned. They also list their goals, such as saving for retirement or paying for a child’s college education. The planner considers this information and suggests options that will help meet the investor’s goals. Some financial planners also sell securities, such as stocks and bonds. They may make a commission on products they sell. Investors may go to some banks and credit unions for financial advice. Employees at these companies are licensed to sell securities that are endorsed by the company. They make a commission on products they sell. Some banks offer their own brand of securities. Rather than investing directly, investors can choose the bank’s investment account. This is similar to owning shares of a mutual fund.

Choose advisors that you can trust to help you make the right choices. Be sure that they have proper licenses, bonds, and certifications. Ask how long they have been working for the bank or investment company. Also ask if they are members of the FINRA (Financial Industry Regulatory Authority). The FINRA Web site provides a BrokerCheck feature. This feature allows you to learn about the background and license status of firms and brokers. Many state governments also provide similar data. Ask how your confidential and personal data will be protected by the broker or company. Deal only with advisors and companies that you think are properly licensed and qualified and have your interests in mind.

12-2 Buying and Selling Securities

OBJECTIVES

- ***Explain the difference between the primary market and the secondary market for securities.***
- ***Compare buying stock on a securities exchange to buying in the over-the-counter market.***
- ***Describe the steps in a buy transaction on a stock exchange.***
- ***List advantages of direct investing.***
- ***Compare a full-service stockbroker to a discount broker and an online broker.***
- ***Discuss types of stock market orders.***
- ***Explain the purpose of market timing strategies.***

TRADING SECURITIES

Securities are stocks, bonds, and other financial investments. When securities are bought or sold, they are said to be traded. Investors can trade directly or use the services of a broker. Investors can trust a professional to manage the investments, or they can be involved in all the decisions.

PRIMARY MARKET

The primary market is one in which new issues of securities are sold. Proceeds of sales go to the issuer of the securities sold. New security issues (stocks and bonds) are issued through investment banks. An investment bank is a company that helps corporations raise money by selling stocks and bonds. A fee is charged for this service. The process takes many months to complete. New security offers are often in the form of initial public offerings. An initial public offering (IPO) is a company's first sale of its stock to the public. IPOs are often made by small or young companies seeking to expand their business. They can do this with the money raised by selling stock.

SECONDARY MARKET

The secondary market is one in which securities are bought from current investors. A buyer is trading with someone who already owns the stock. After stock is sold in the primary market, it can be resold many times in the secondary market. Many securities are listed on securities exchanges. Some can also be found in the over-the counter market.

Securities Exchanges. A securities exchange is a place where brokers buy and sell securities for their clients. Securities listed on the exchange have been accepted for trading at that exchange. The New York Stock Exchange (NYSE) is one of the largest security exchanges in the world. It lists more than 3,000 stocks. The exchange has 1,366 stockbroker members. These members can buy and sell securities. The American Stock Exchange (AMEX) and various regional stock exchanges are smaller. They have less strict requirements for companies to be listed than does the NYSE. Securities exchanges are auction markets. An auction market is one in which a stock is sold to the highest bidder. Both buyers and sellers compete with others for the best price.

STEPS IN A STOCK BUY TRANSACTION

The following are steps an investor would take to buy stock traded on the New York Stock Exchange:

1. The investor calls or e-mails the broker and asks him or her to buy shares of stock.
2. The broker relays the order electronically to a representative at the stock exchange.
3. A clerk for the broker at the exchange receives the message and gives it to a floor broker.
4. The floor broker goes to the trading post at which this stock is traded.
5. The floor broker negotiates a buy from the floor broker of the stock being sold.
6. After the trade is made, the floor broker relays a message to the clerk and to the consolidated ticker tape.
7. The sale appears on the ticker tape.
8. A confirmation is sent to the investor's broker.
9. The broker notifies the investor that the transaction is complete.
10. The investor's account reflects money exchanged for stock at the price and quantity agreed upon.

The Over-The-Counter Market. The over-the-counter market is a network of dealers who buy and sell stocks and other securities. These stocks are not listed with a securities exchange. Stocks issued by several thousand companies are traded this way. NASDAQ is an electronic marketplace for over-the-counter stocks. This computerized system allows investors to buy and sell stocks through their brokers. More than 5,000 stocks are listed on NASDAQ. When stock is traded, offers to buy are matched with offers to sell.

DIRECT INVESTING

Many companies have direct investing plans. Direct investing allows you to buy stock directly from a corporation. You do not use a brokerage company. Direct investing allows you to reinvest dividends as well. With this option, cash dividends are used to buy more shares of stock. People who do direct investing can use a spreadsheet to keep track of their Investments. Direct investing can be risky. When you buy stock in only one company, you have not diversified. However, you could use direct investing to buy stocks in several companies. Buying U.S. government savings bonds is also a form of direct investing. This type of investment is low-risk. Direct investing offers many advantages. One advantage is avoiding taxes. When cash dividends are converted to new shares of stock, they are not taxed. Investors can acquire many shares this way. Interest on U.S. savings bonds is not taxable until the bond is cashed. If the bond is used for education expenses, then the interest may not be subject to federal taxes when cashed. With direct investing, there are no brokerage fees to pay. This advantage makes direct investing attractive to some investors. Another advantage is that you know which securities you have at all times. When you buy direct, you make the decisions about the items to buy and sell and the timing of the transactions.

Sometimes corporations issue a stock dividend instead of a cash dividend. A stock dividend is a dividend paid in the form of new shares of stock instead of cash. Stockholders have more shares of stock for future growth. A stock split occurs when a company issues more stock to current stockholders in some proportion. For example a two-for-one split means that for every share you own, you get an additional share of stock. Stock dividends and stock splits involve no brokerage fees or costs to investors, and they are not taxable income. At some companies, employees can buy stock in the company. Some companies give shares of stock to employees as part of a benefits package. There are no brokerage fees or other costs for the employee in these transactions.

BROKER SERVICES

When you use the services of a stock agent or broker, you pay this person to buy or sell securities on your behalf. From some brokers, you also get advice about what and when to buy and sell. Although these services cost money, they can help you invest wisely.

FULL-SERVICE BROKERS

If you buy securities through a full-service stockbroker, you will receive advice about what to buy. A stockbroker is a licensed professional who buys and sells securities for her or his clients. Stocks, bonds, mutual funds, and commodity futures contracts are examples of securities traded through stockbrokers. The broker will consider your investment goals. He or she will try to help you achieve those goals through your investment choices. You will be charged a commission or fee for the services provided. You will receive regular reports of activity and account balances. The stockbroker will consider the information you provide. You should clearly state your financial goals. Be honest about your tolerance for risk. Be realistic in what you expect for returns on the money you invest. This information, along with her or his knowledge about the market and securities, will be used to select stocks or other investments for you. The broker will recommend securities to buy and sell and the timing of those trades. Merrill Lynch and Morgan Stanley are examples of full-service brokerage firms.

DISCOUNT BROKERS

A discount broker works for a firm that buys or sells securities on behalf of investors. The term discount broker is also used to refer to the brokerage firm. The fees or commissions charged by a discount broker are much lower than those charged by a full-service broker. The firm may charge a flat fee for its services of buying and selling. An amount such as $8.95 per transaction is a typical fee. Discount brokers offer limited services. They do not give advice or help manage assets. However, some firms do offer free research reports. A discount broker has the same qualifications as a full-service broker. Fidelity Investments is an example of a discount brokerage company.

ONLINE BROKERS

Many brokerage firms offer their services online. Online brokers charge low fees. They also give the least amount of service. They do not provide investment advice or manage assets. Some firms do offer free research reports. You must make your own decisions about buying and selling. Once you decide, you set up an account with an online broker. Different types of accounts are available. Investors can make single trades. Some sites also offer automatic investment plans that help users invest on a regular basis. Capital One Investing, TD Ameritrade, and Schwab are examples of online brokerage services.

Stockbrokers make money when stocks are bought and sold for clients. Some brokerage firms have minimum commissions of $25 to $60. Additional fees may be charged based on the number of shares and on the value of the stock being traded. On the trading floor of a stock exchange, stocks are traded in round lots or odd lots. A round lot is 100 shares or multiples of 100 shares of stock. An odd lot is fewer than 100 shares. When you buy less than a round lot, there is an additional fee. Discount brokers usually charge a flat fee, such as $8.95 per transaction. However, for odd lots or small amounts, they often have higher fees. For example, when the trade amount is less than $1,000, the transaction fee may be higher.

STOCK TRANSACTIONS

Once you have decided to buy or sell a stock, there are four types of transactions, called orders, that you can request:

Market Order. A market order is a request to buy (or sell) a stock at the current market value. In an auction market, the broker will try to get you the best price as soon as possible. There is no guarantee of what you will pay or receive. The stock will be auctioned to the highest bidder, and you may or may not buy or sell the stock at the price you hoped to get.

Limit Order. A limit order is a request to buy (or sell) a stock at a specific price. When you are buying, a limit order ensures that you will not pay more than a set dollar amount. When you are selling, the order ensures that you will not get less than a specific dollar amount if the stock is sold.

Stop Order. A stop order (also known as a Stop-Loss Order) is a request to sell at the next available time after the price reaches a certain amount. This type of order protects an investor from a sudden drop in price.

Discretionary Order. A discretionary order is an order to buy (or sell) a stock that lets the broker get the best possible price. The broker also determines the best time to buy. This type of order may involve a range of shares, such as buying odd numbers of shares if they are available. Discretionary orders give the broker the power to use her or his experience and judgment to make good decisions.

MARKET TIMING

A market timing plan is a strategy used to increase profits and reduce costs. There are several timing plans you can use, regardless of the type of securities you buy and sell:

Selling Short. Selling short is selling stock that has been "borrowed" from a brokerage firm and must be replaced at a later date. You are hoping to make a sell agreement today for more money than you will have to pay for the stock at a later time. This is a lawful thing to do (if the brokerage firm allows it), but it is highly risky. You are hoping that prices will drop. If prices for the stock do not drop, you will lose money.

Buying on Margin. Buying on margin is a transaction in which you borrow part of the money to buy stock. The cash you use to pay for the rest of the purchase is called the margin. The margin amount is set by the Fed. This is a form of leverage, or borrowing money to make a profit on a stock transaction. You may make less than if you paid for the stock yourself. However, you can buy more stocks with less money and thus possibly make more profits. In some cases, the value of the stock purchased may drop by an amount equal to the margin. When that happens, the investor may be given a margin call. The investor must immediately provide more money or sell the stock in order not to default on the loan. Buying on margin is a risky strategy.

Buy and Hold. Buy and hold is a long-term plan in which investors make money in three ways. First, they will receive dividends over the years. Second, the price of the stock will go up (giving them long-term capital gains). Third, the stock may split. When a stock splits, they gain additional shares of stock. They do not have to pay commissions on the stock gained, and there is no tax to be paid on the added shares.

Regardless of your investment plan, you will find market timing important. You want to sell at prices that are higher than the amount you pay for investments. Understanding the economy and its signals can help you do this. You will not always earn profits, but with careful timing, you may be able to gain more than you lose.

FOCUS ON: Full-Service or Discount Brokers?

There is a healthy competition between full-service brokers and other types of brokers. A smaller fee for services is one reason people choose discount or online brokers. There are other factors to consider as well. One factor is the amount of information available and how much it costs. If you have to pay extra to get the information you need to make good choices, then discount brokers may not save you money in the long run. Another factor to think about is the amount of help you will need to make wise investment choices. If you do not have the time or expertise to study the market, you may find that your choices are not very profitable. You may be better off paying higher fees for sound investment advice from a full-service broker. Investors should also look at how easy it is to buy and sell. Investors must compare services in terms of the type of trading they want to do. For example, do you want to trade online or by phone? Where is the nearest office? How often do investors receive statements? What is the charge for services such as research? What are all the fees that will be charged for having an account? Are there minimum deposits? Consider all these factors carefully to help decide which type of broker is right for you.

12-3 Regulatory Agencies

OBJECTIVES

- ***Describe independent agencies that regulate and supervise the securities industry.***
- ***Describe government agencies that regulate and supervise the financial industry.***
- ***Explain the purpose of the Sarbanes-Oxley Act.***

INDEPENDENT AGENCIES

Banks, brokerage companies, and other financial businesses are limited and controlled by a number of agencies. These agencies make or enforce rules and regulations. They act to protect consumers in many ways.

FEDERAL DEPOSIT INSURANCE CORPORATION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by Congress in 1933. Its purpose is to promote public confidence in the banking system. It also supervises banks and other financial institutions to maintain a stable and sound banking system. The FDIC monitors advising, investment accounts, and practices at banks. These activities assure consumers that lawful and ethical practices are being used. The FDIC insures deposits in banks and other financial institutions, such as savings and loan companies. Checking accounts, savings accounts, and other deposits, up to $250,000 per depositor per bank, are covered. Generally, separate coverage is provided for retirement accounts. This means that accounts such as an IRA held in an insured bank may be covered for up to $250,000. The FDIC provides an Electronic Deposit Insurance Calculator for consumer use, which allows you to find the insurance coverage of your accounts at each FDIC-insured bank. The FDIC also provides other consumer resources. At the FDIC Web site, you can find information about many topics related to investing. Other topics of interest to consumers are also discussed. For example, your right to financial privacy and how to avoid being a victim of identify theft are discussed.

NATIONAL CREDIT UNION ADMINISTRATION

The National Credit Union Administration (NCUA) is a federal agency that charters and supervises federal credit unions. It also supervises state-chartered credit unions across the country. The NCUA insures savings deposits in federal credit unions and other member credit unions. Most share accounts in federally insured credit unions are insured for up to $250,000. Retirement account insurance protection is separate from coverage on other credit union accounts. Retirement accounts, such as an IRA, at insured credit unions are covered for up to $250,000. The NCUA provides resources for its credit union members. It also provides resources for consumers, including workshops and financial advising. The NCUA Share Insurance Estimator is available on the NCUA Web site. It is an educational resource that gives a detailed explanation of insurance coverage.

FINANCIAL INDUSTRY REGULATORY AUTHORITY

The Financial Industry Regulatory Authority (FINRA), formerly known as National Association of Securities Dealers (NASD) is a private, nonprofit organization. It is responsible for self-regulation of the securities industry. FINRA monitors trading on the stock market; almost all securities firms that do business with the U.S. public are members of FINRA. It registers member firms and has rules to govern their behavior. It also checks to see that firms follow the rules. Firms breaking the rules may be charged high fines. Protecting investors is a primary goal of FINRA. FINRA looks at advertising related to securities. Its goal is to see that ads are accurate and do not mislead the public. FINRA also licenses stockbrokers. Investors can find information about licensed brokers on the FINRA Web site. FINRA provides materials in print and on its Web site to educate the public about investing. Its Investor Alerts give current news about investment scams and problems.

PENSION BENEFIT GUARANTY CORPORATION

The Pension Benefit Guaranty Corporation (PBGC) is a federal corporation. Its mission is to protect retirement incomes of workers with defined benefit pension plans. These plans are designed to pay a monthly benefit to retired workers. The amount is commonly based on the person's former salary and years spent on the job. The PBGC collects insurance payments from companies that offer pension plans to their workers. It also earns money from investments. When a covered pension plan ends or fails for some reason, the PBGC pays some benefits to the retired workers. However, retirees may not get some benefits promised by the company. For example, health care benefits may not be covered. The maximum benefit is set by law. It depends, in part, on the year in which your plan ended. Your age at the date you begin receiving benefits is also a factor. Monthly maximum benefits tables are provided on the PBGC Web site. The PBGC Web site provides news releases related to pension plans, as well as helpful information about topics such as the following:

- How to learn if your pension plan is insured by PBGC
- How a pension plan may end
- Benefits likely to be provided to workers in the plan
- Survivor benefits
- How to start collecting pension benefits

GOVERNMENT AGENCIES

The U.S. government has agencies that seek to protect consumers. One role of these agencies is oversight. Through oversight, or supervision, they help protect investors from unlawful actions. States also have agencies that help protect investors.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission (SEC) is the primary overseer and regulator of the U.S. securities markets. It oversees securities exchanges, brokers and dealers, investment advisors, and mutual funds. The SEC works with other federal and state agencies and with private organizations. The SEC tries to maintain fair and orderly markets and foster business growth. It also enforces securities laws. Typical law violations include insider trading, accounting fraud, and giving false information about companies or securities. A primary goal of the SEC is to protect investors. The SEC requires public companies to give meaningful and accurate data to the public. This data includes financial reports. Having the data helps investors make informed decisions.

DEPARTMENT OF THE TREASURY

The U.S. Department of the Treasury is the primary federal agency responsible for the economic security of the United States. It has a wide range of duties related to financial issues. It seeks to help citizens by fostering an economy with growth and job opportunities. consumers with information about topics such as saving and investing, privacy, retirement planning, and starting a business.

INTERNAL REVENUE SERVICE

The Internal Revenue Service (IRS) is a bureau of the U.S. Department of the Treasury. Its role is to help taxpayers understand and meet their tax responsibilities. It also seeks to ensure that those who owe taxes pay them. In Chapter 2, you learned about paying taxes and completing simple IRS tax forms. When you own, buy, or sell securities, you may need to report this activity as part of your tax return. Form 1040A has several lines on which taxpayers report interest, dividends, and capital gains. Form 1040EZ is the simplest tax form to complete. Form 1040A allows more options for income and deductions to be entered. Some sections require the filer to attach additional forms, often called schedules. For example, Form 1099-INT shows interest income earned during the year. This form is sent to individuals by the bank that pays the interest. Taxable interest must be reported on your tax return. If a taxpayer sells stocks or bonds during the tax year, that activity must be reported on Schedule D of Form 1040. Taxpayers should read the tax form instructions carefully to be sure all investing activity is properly reported. Taxpayers who have many investments and several transactions during the year may want to hire a trained tax preparer to complete the forms.

THE FEDERAL RESERVE

The Federal Reserve System is the central bank of the United States. Its purpose is to provide the nation with a safe and flexible financial system. Its activities are in four general areas as follows:

- Conducting monetary policy
- Providing financial services to the U.S. government, financial institutions, and the public
- Supervising and regulating banking
- Keeping the country's financial systems and markets stable

FOCUS ON: Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002 (SOX) was passed in July 2002. The act is also known as the Public Company Accounting Reform and Investor Protection Act of 2002. This law created new and stronger standards for U.S. public companies and for accounting firms. The law was created in response to scandals in large companies. These scandals involved fraud or misconduct by company officers. They resulted in losses for investors and company employees. SOX requires improved financial reporting, audits, and accounting services for public companies. The SEC has adopted rules that require companies to comply with the law. The law established a new agency, the Public Company Accounting Oversight Board. The agency's purpose is to oversee and regulate accounting firms in their roles as auditors of public companies.

Chapter Summary

- ***Investors should do thorough research before buying stocks, bonds, or other investments.***
- ***Investors can find helpful information in magazines, newspapers, and newsletters related to investing.***
- ***Corporate annual reports are free, and many are available online.***
- ***They provide information about the company that can be helpful to investors.***
- ***Investors can find information about companies, products, and market trends on the Internet.***
- ***Investors can use key figures, such as revenue, net income, and P/E ratios, to compare companies.***
- ***Professionals, such as stockbrokers, financial planners, investment advisors, can help investors choose securities to buy or sell.***
- ***When buying stocks in the primary market, investors buy directly from the issuer. When buying stocks in the secondary market, investors buy from another investor who owns the stock.***
- ***Securities exchanges are auction markets, where stocks are sold to the highest bidder.***
- ***The over-the-counter market is a network of dealers who sell stocks not listed on an exchange.***
- ***Direct investing is buying stock/bonds directly from the issuer. Direct investing allows investors to avoid transaction fees.***
- ***Both full-service and discount brokers buy and sell securities for clients. Full-service brokers also provide investing advice and other services. Many brokers offer their services online through Web sites.***
- ***Brokers charge fees or commissions for their services.***
- ***Different types of stock market orders can be placed when trading on an exchange, such as market orders and limit orders.***
- ***Market timing strategies can be used to help investors decrease losses and increase profits.***
- ***Many independent and governmental agencies regulate and control the investing industry. They seek to protect consumers by providing stable markets and fair trading practices.***
- ***The Sarbanes-Oxley Act of 2002 helps protect consumers with stronger standards for public companies and accounting firms.***