Stock Up On This!

- We hear about the stock market on a daily basis; not necessarily because we want to, but because it has become an integral part of American society.
- The market is the core of economic stability in the United States. Stocks and bonds represent companies which touch aspect of every person's life.

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- The **stock market** is a general term used to describe all transactions involving the buying and selling of stock shares issued by a company.
- A **stock** is a share of ownership in the assets and earnings of a company.
- The stock is represented by a piece of paper called the **stock certificate.**

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- In comparison, a **bond** is a type of debt that a company issues to investors for a specified amount of time.
- Basically, a person who purchases stock wishes to own part of the company, while a person who invests in a bond asks for his money in return at the end of a period along with interest and benefits.

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- The **<u>maturity date</u>** of a bond is the date on which an investor can expect to have their principal repaid along with regular interest.
- The **<u>principal</u>** refers to the original sum of money borrowed in a loan or put into an investment; it can also refer to the *face value* of a bond.

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- In the market, the **bond issuer** is the borrower, while the **bondholder** or purchaser is the lender. At the maturity of the bond, bond issuers repay the bondholder the principal value.
- Likewise, the purchaser of a stock, or share of ownership in a company, is tradiotnally known as a **shareholder.**

- **For the next couple of days, along with the daily notes, make sure you are reading and comprehending the info provided by the worksheets given.**
- **Begin to build up your knowledge on how to read a "stock ticker." That concept will be taught very soon, but it will make much more sense if you have read about it beforehand.**

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- Generally speaking, stocks are divided into two broad categories: **common** and **preferred** stock.
- **Common stock** “refers to shares or units of ownership in a public corporation. This is the most typical kind of stock.”
- With the purchase of a common stock, you are also given the right to **vote** in relation to the company.

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- Common stock owners may also earn **dividends**, but those dividends are typically variable and not always guaranteed.
- A **dividend** is a sum of money or payment made to shareholders on a regular basis; these payment are typically made out of profits or reserves.
- The purchase of common stock is recommended for **investors looking for long-term growth.**

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- **<u>Preferred stocks</u>** are frequently compared to bonds because of their similarity; the **<u>price</u>** for these stocks are usually a lot more stable and predictable than the "common" ones.

- Preferred shareholders are not given a vote, but they do receive **<u>fixed dividend</u>** amounts and **<u>preferred treatment</u>** (in case of bankruptcy or liquidation, they receive their money first)

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- Preferred stock prices are less volatile (risky, unpredictable) than common stock prices.
- This means shares are less prone to losing value, but <u>they're also less prone to gaining value in the long run.</u>
- In general, The purchase of preferred stock is recommended for **<u>investors that prioritize income over long-term growth.</u>**

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- The dollar value of the stock changes between the time the buyer purchases and sells a stock.
- Dividends for each preferred stock are stated as a percentage known as the **<u>par value</u>**; this value is a fixed percentage stated on the stock certificate.
- ex: If a $100.00 stock has a par value of 6%, the dollar amount would be $6.00 per dividend period.

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- The **market price** is the amount a willing buyer would pay a willing seller for the stock; this price is based upon interest rates of the economy.
- If interest rates **increase**, the market price **decreases** so that the stock remains **competitive** with other investment options.

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- As a recap, the **par value** is the amount the purchaser will receive in dividends. ("How much will I get back if I invest?")
- The par value is otherwise known as the **face value**; it is the amount the stock is worth at the moment it is printed.
- The **market value** is the reasonable amount the buyer of the stock is willing to pay. ("We've agreed that $_ is reasonable.")

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- The price of the stock could also be affected by a *stock split.*
- All publicly-traded companies have a set number of shares that are outstanding. (already sold)
- A **stock split** is a decision by a company's board of directors to increase the number of shares that are outstanding by issuing more shares to current shareholders.

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- “For example, in a **2-for-1 stock split**, an additional share is given for each share held by a shareholder.
- So, if a company had 10 million shares outstanding before the split, it will have 20 million shares outstanding after a 2-for-1 split.”

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- Basically, if there is a 2-for-1 split and an individual owns one share worth $100 before the split, the individual will own two shares worth $50 each after the split.
- After a split, **the stock price will decrease** since the number of shares outstanding has increased.
- Directly, the **value of the stock will increase**.