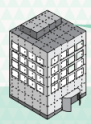


# WHAT IS A STOCK?



All companies need money to start or grow their business. One way a company can raise money is to divide itself into little pieces and sell the pieces to investors through what is known as an Initial Public Offering, or IPO. Each little piece is called a share of stock.



Each share of stock is entitled to a cut of the company's profits.

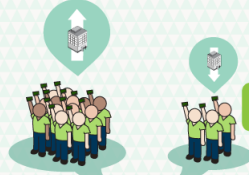
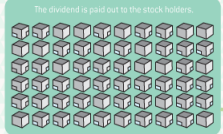
**Dividend:** A distribution of a portion of a company's earnings to its shareholders.



When a corporation earns a profit or surplus, that money can be put to two uses; it can either be re-invested in the business, or it can be paid to the shareholders as a dividend.

Many corporations retain a portion of their earnings and pay the remainder as a dividend.

The value of a stock is essentially determined by the principles of supply and demand. If more people want to buy stock in Company X, the value will go up. Conversely, if few people desire to own stock in Company X, the value will decrease.



**Shareholder:** a partial owner of the company, also has the right to vote on who is selected to the board.

For a joint stock company, a dividend is allocated as a fixed amount per share.

Fixed amount to each share holder.

**Broker:** The one who facilitates a trade between two parties.



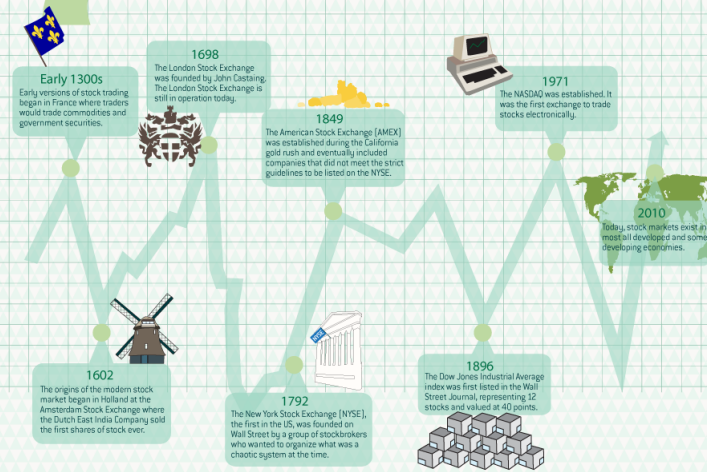
When a stock is bought, the holder of that stock receives a stock certificate. Now, most traders use the Internet for paperless transactions.



**BROKER**

After the company sells their initial offering of stock to the public, anyone desiring to purchase shares of the company must buy them from someone who wants to sell them. This exchange is mediated by brokerages, which charge fees for facilitating trades.

## A Brief History of the Stock Market



## Why Buy Stock?

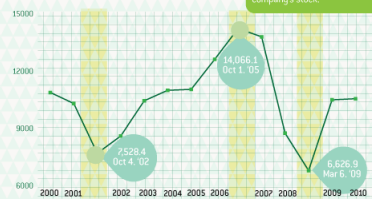
Even though there is great fluctuation within the global markets, time has proven that the markets provide a consistent return over a long period of time.

In July, 2010 the combined value of the world's stock exchanges was \$46.9 trillion US (derivatives not included)

Buying a portion of a company means that when the company profits, so do the shareholders.

The Dow Jones Industrial Average, one of the most followed indexes, has shown significant and consistent growth over the years.

**Stock Price:** The up-to-the-minute value of one share of any given company's stock.



**Volume:** The number of shares that are traded during a given period of time.

