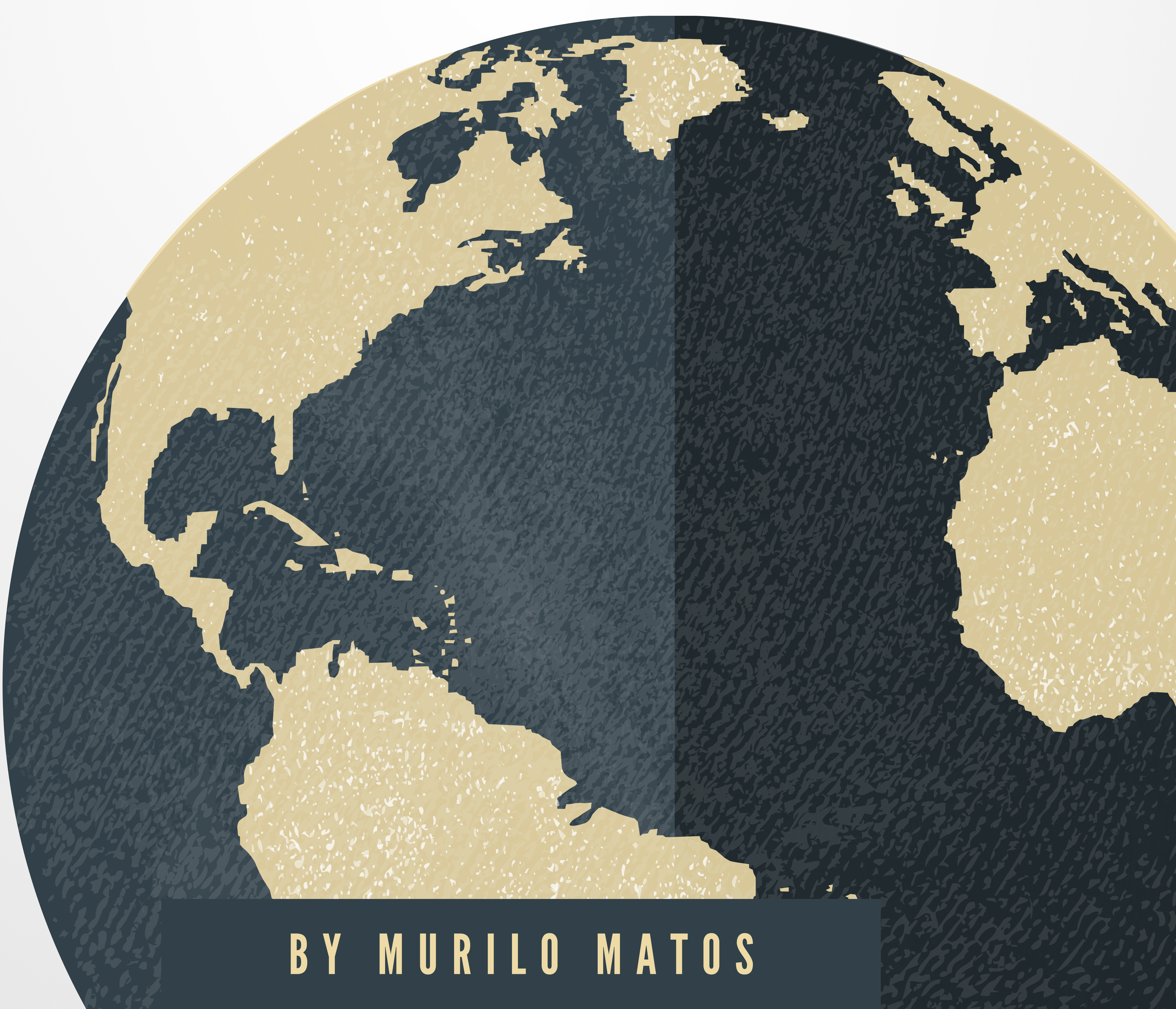
THE WORLD OF STOCKS 101

WHAT ARE STOCKS AND HOW TO TAKE ADVANTAGE OF THEM



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Introduction

This book was made to help you get closer to being financially free because that is what we are all achieving, financial freedom.

In this book, I will share how I invest in the stock market for the long term, and how to have your money working for you, and not you working for the money all the time.

It is important to remember that in the beginning, you will have to put a lot of time into working, but if you are doing it correctly at some point, all the assets you've built will be able to pay for your lifestyle and you will have successfully escaped the rat race, you are free.

This book will also introduce you to the stock market, talk about the two types of positions you can take when making a transaction in the stock market. It will go over all the different types of brokerage accounts and which ones are right for you depending on your financial goals.

I hope you enjoy it

If you have any questions feel free to dm me on my socials :D

Disclaimer

Everything mentioned in this book is not financial advice

Everything here mentioned has educational and informational content only, but it is by no means financial advice

After you read it you will take this information and see if it applies to you, because there is no such thing as one size fits all

Before you invest in the stock market

Before you get all excited about starting to invest in the stock market you must understand that the stock market is volatile however, over a long period, it has shown consistent returns. Therefore, although tomorrow the stock market may crash, in two years it is back to where it was, or even better than it ever was before.

Thus you shouldn't panic when stocks are down and instead think of it as a limited-time sale.

So before you start investing in the market you should have another high yield savings account (bank account essentially) that you can withdraw money immediately, that has three to six months of your basics monthly expenses, these include:
- Mortgage/Rent
- Food - Not talking fast food but food that you eat at home to save money
- Car payments
- Your other regular expenses

This is an important step because as Robert Kiyosaki the author of the book Rich Dad Poor Dad, the #1 Personal Finance Book of All Time said: "Once a dollar goes into it (asset column), never let it come out."

He also mentions this because some people try to time the stock market (can't stress this enough) and in the next line, he mentions how timing the market is a terrible idea because it is impossible to be right consistently.

So to not touch your assets, you make one separate saving account with money to up to six months of your regular expenses, because you are preparing yourself for something that may happen in the future, such as being fired, and if that is your only source of income then you may not have money for rent next month.

Therefore, if this happens, you are preparing yourself for three to six months of your basic expenses until you find another job or sustain yourself consistently again.

During that time you may stop investing in the stock market monthly, however, some people also encourage including that money in your basic expenses so you can still invest in the stock market monthly, and not lose a "sale" in the stock market if it happens for instance.

I know I said previously that you had to invest monthly in the stock market but the truth is, as long as you can invest your money in the stock market consistently, it doesn't matter if it's all at once, monthly, or yearly

There are two types of investing in terms of frequency:

- **Dollar-Cost Averaging**: where you invest monthly is called dollar-cost averaging, which has the mindset that the market could be lower in one month and you could perhaps double down on those months, and if you know it will drop significantly you can "stop investing temporarily" and wait for a drop. However most of the time you are investing regardless of the overall situation on the market.
- **Lump-Sum**: The one where you invest a big amount yearly (usually) is called a lump sum, which has statistically better returns, but this is not always true, as it depends on exactly where you open your position.

Since Lump sum you are usually only investing once yearly, it only gives you position on the stock per year, therefore, it may have a better return yearly, since dollar-cost averaging you are investing every single month regardless of the stock is up or down.

But as previously said, over a long time it won't make that much of a difference, it all depends if you have that money upfront, or if you prefer a smoother curve with Dollar-cost averaging.

Different people have different strategies.

But one thing they all have in common is that they invest for the long term.

But whatever you end up choosing for you know that both strategies are valid, and whatever works for you works best.

Summary:

- Before you start investing in the stock market, create a savings account with your basic expenses covered for three to six months so you don't have to withdraw your money from your brokerage accounts (stock market)
- Taking your money off the stock market is usually a bad idea so instead, keep adding to your positions consistently
- There are two types of investing in the stock market in terms of consistency, Lump Sum, and Dollar Cost Averaging
- Dollar-cost averaging is when you add money to your portfolio daily, weekly, or monthly, or usually in a smaller time frame consistently.

- A lump sum is where you invest a big amount upfront and keep investing it yearly, or in a bigger timeframe
- Prioritize time and not time in the stock market

What type of brokerage account should you choose?

There are two main types of accounts in the world of stocks.

There are standard brokerage accounts, which are categorized as the ones that are not tax-advantaged.

There are two main tax-advantaged accounts, Roth IRAs, and Traditional IRAs.

Roth IRAs you pay tax upfront, which means all the money in the account when withdrawn is completely tax-free.

In Traditional IRAs you don’t pay taxes upfront and have to pay taxes when you withdraw the money.

With a Roth IRA, you believe that taxes are lower now therefore you are paying them now, conversely with a traditional IRA you believe taxes are going to be better in the future, thus you pay them after, only when you withdraw

Since it is very hard to predict which one is the “right choice”, usually people have one of each and divide their money between the two.

Here is a reliable source to research about which one is the best choice for you

Individual Accounts are the types of accounts that are not tax-advantaged.

Now you might be wondering what is the point of having an Individual if you can have a tax-advantaged one instead.

Well, for a Roth IRA, you can only withdraw your money at the age of 59½ thus, if you plan to retire earlier than this, you may not think that a tax-advantaged account is the best one for you.

But in terms of investing it can be extremely personal, however, you can always have both of them at your disposal.

Which Stock Broker should you choose?

For investing in Tax-Advantaged accounts here are my top three:

- **Charles Schwab**
- **Vanguard**
- **Td Ameritrade**
- **M1 Finance (earn $30 if you deposit $100 or $500 for retirement accounts)**

For investing in individual accounts I recommend:

- **Robinhood - get a free stock when you sign up through this link**
- **Webull - Get two free stocks when you sign up and deposit $100**
- **Public - get up to $100 of free stocks (Public only works on the mobile version but it is a great platform regardless)**

(These are affiliate links brokerages terms apply)

Remember that all of these are for the United States some of these brokerages such as TD Ameritrade does not work in other countries

If you are in another country make sure that you can find one brokerage that offers preferably:

- Partial Shares
- Zero Commission in trades
- A neat platform (mobile or pc, whichever one you will use for this)
- An automatic recurring investments feature (For long term investors)
  -This allows people to invest in stocks automatically in the time frame specified

At the end of the day the brokerage platform you choose is personal, some people like different ones therefore it's about testing which one fits you the best.

How every person can become a millionaire

Every person in this economy can become a millionaire. Period.

Now you might be wondering that if it was that easy, then it's probably too good to be true.

Yes, in other words, that is the problem.

People hate taking risks, but you will never get anywhere if you don't calculate take risks.

Think about it:
Billionaires "lost" millions to be billionaires
Millionaires "lost" thousands to be millionaires

And poor people want to be rich without taking any risks

So while it might seem easy for some, the problem is that most people don't want to be exposed to any risks, and they end up losing more than they had in the first place (due to inflation)

In addition to that, a lot of poor people want to look rich, and most will sacrifice truly being rich.

Or to sum it up, not living below your means.

Living below your means is making 200k a year, and living on 30k and investing the difference somewhere, whether that is the stock market (most passive one usually) or real estate for instance.

So in other words you have to live below your means to be a millionaire.

But anyway, what is the strategy for being a millionaire?

It is surprisingly pretty simple

Considering that you:
Are starting at 18
Will only take out money until you retire at 64 (the average retirement age for men),
Will get 10% over the 46 years

All you have to do is invest at least $100 every single month in an index fund such as S&P 500

And bang!
You will have $1,000,000 when you retire

Of course, other things may not happen as we can't exactly predict the future. For instance, you may not get a 10% average return over the years, you may only get 8% which is the average S&P 500 return since its creation.

Now if you are starting later, you can still take advantage of compound interest. It will only be a little slower, but you can still be wealthy.

And if that is what you truly want, you will get there, **nothing will stop you**.

It's that simple.

Now the most important thing in this list is for you to start as soon as possible because compound interest truly is the **8th wonder of this world** if you let it do its thing in due time.

Check this investment calculator to check how long it would take for you to get to a million in the stock market

Summary:

- Invest in the stock market every single month/consistently
- Invest in a good index fund
- Prioritize time over timing in the stock market
- Take calculated risks

Conclusion:

Hope you enjoyed this ebook.

If you liked the book don't forget to join my free newsletter where I share my discoveries entering the workforce and what I have learned that week, or the new books I read, or the new things I got into.

Here is the link for you to sign up for it!

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