

## The Stock Market - A Brief Primer

For most people, the stock market is a scary thought because they have seen the devastating effects it can have when things go wrong. Stock plummeted after Enron, and even when mergers are announced as with the case of Chase and Bank One, the stock market feels the effects. Even DuPont has seen its stock prices drop when negative information is publicized, so the stock market, for the most part, is a fickle entity.

How does a new investor avoid the pitfalls of the stock market? Research is the only way, and it's no ironclad guarantee. That means before you invest, you adopt the habit of reading the NYSE and DOW reports in the daily newspapers as well as reading the business section of the newspaper for any reports that may affect the stock prices of a company you may be considering. Of course, sadly, utility companies are always making money, but they are doing it at the expense of consumers like you and me. For some people, investing in the electric or water company is the only place they feel safe, but with all of the mergers of electric companies, that isn't even a very safe investment in the 21st Century.

A new investor needs to do some heavy reading and studying before investing in the stock market. This is not something that should be decided impulsively, but rather needs fully researched over time. In addition to following the current trends in the stock market, the potential investor needs to also research past trends, and be sure to research far enough in the previous years to ascertain that the company stock is stable for the most part. This requires, as an educated guess, at least five years worth of research, maybe more if time allows. For those who have been in the working force for a few years, the trend has been one of difficulties, and sometimes the most stable company has seen their stock plunge during times of recession or bad publicity.

In addition to checking the history of a company, and the stock market overall, a potential investor should check the trends of companies who have been involved in mergers to see how their stock fared before the merger was announced, afterwards, during acquisition, and after acquisition. After all, the potential for a company after a merger may be a negative one, so it's important to know how the stockholders and potential investors saw the strength of the company. The price of a company's stock is a measure of its strength in the economy, and without that, strength, the stockholders can force an unfriendly merger, whereby the stockholders take over the company.

Once you have decided the safest investment for you to make, you need to decide on a financial advisor or broker. It isn't wise to try to make a direct buy because although it may be cheaper, the services of a broker will prevent or lessen the financial loss in the event of a drop in price. A broker can see the trend and advise you to sell your stock in a given corporation based on trends that are showing. Unless you have learned a great deal about the stock market, there is no way you, as a new investor, can predict these things. The price you pay a broker for managing your account is well worth the peace of mind you will have in knowing your financial interests are uppermost in the mind of your broker. Even with mutual funds, if you have any stocks in your portfolio, which most mutual funds investors do, it's important to have a broker who can move those stocks around in the event of a downhill trend.

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