

Buying and Selling Stocks

To do now:

1. Daily Attendance Question
2. Get a highlighter
3. Take out earbuds

You will need:

- Student Notes
- **Highlighter!**
- Textbook
- Calculator
- Notebook Paper
- Pen or Pencil

Items in red are needed for the lecture.



Objective

Learn how to buy and sell stocks.



Stockbrokers

- To buy and sell a stock you must go through a **stock broker who is licensed** to buy and sell securities.
- A cash account at a **stockbrokerage firm** can be opened for as little as \$1000.



Types of Brokerage Firms

This chart is on the back of the notes

<p>General (Full-Service) Brokerage Firm</p>	<p>Offers a full range of services, including investment information and advice; research reports on companies, industries, general economic trends, and world events; an investment newsletter; <u>recommendations</u> to buy, sell, or hold stocks; execution of securities transactions by live brokers and online; and margin loans. <u>Commissions and fees are higher</u> than other firms. See Edward Jones, Raymond James, UBS, Morgan Stanley Smith Barney, and Wells Fargo Advisors.</p>
<p><u>Discount</u> Brokerage</p>	<p>They charge commissions to execute trades that are often <u>30 to 80 percent</u> less than the fees charged by full-service brokers. Most offer <u>excellent research and investment tools</u>. See Fidelity, TD Ameritrade, Charles Schwab, USAA Brokerage Services, and Vanguard.</p>
<p><u>Online</u> <u>Discount</u> Brokerage</p>	<p>Online discount brokers (also called Internet or electronic discount brokers) have reduced the cost of executing a trade to perhaps \$20 or even <u>\$10 or less!</u> Their primary business is online trading. All the discount brokers noted are also online brokers. Additional highly rated online brokers are TD Ameritrade, E*Trade, Fidelity, Scott Trade, and Vanguard.</p>

Brokerage Fees

This chart is on the back of the notes

Ex: Scott Trade ¹ Stocks & ETFs²

Order Method	Price
Online	\$7
Broker-Assisted ³	\$32
Touchtone (IVR) Phone System	\$32

Tiny print at the bottom.

¹For stocks priced under \$1, add ½% of the principal value to the commissions shown. Commissions are charged on a per-order basis. Limit orders executed over multiple days and orders modified after partial execution on the same day are handled as separate orders for commission calculation purposes. A majority of orders must be executed online to qualify for online commission rates. Some foreign and pink sheet stocks must be traded with Investment Consultant (IC) assistance. Every market has its own fees and/or taxes assessed by local governments and exchanges. These fees may be automatically included in the quote.

Brokerage Fees

Ex: Scott Trade – Let's look at the fine print

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- ❖ Commissions are charged on a per-order basis.
- ❖ Limit orders executed over multiple days and orders modified after partial execution on the same day are handled as separate orders for commissions' calculation purposes.
- ❖ A majority of orders must be executed online to qualify for online commission rates.
- ❖ Some foreign and pink sheet stocks must be traded with Investment Consultant (IC) assistance.
- ❖ Every market has its own fees and/or taxes assessed by local governments and exchanges.
- ❖ These fees **may** be automatically included in the quote.

Different ways to trade a stock

When you place your order with your broker you can specify how you want the order executed.

1. Market order

- The simplest and **most common** form of a buy or sell order.
- You want the transaction to occur at **whatever market price is available.**



Different ways to trade a stock

2. Limit order

- It instructs the stockbroker to buy or sell a stock at a **specific price**.
- It includes instructions:
 - to buy at the best possible price but not **above a specified limit, or**
 - to sell at the best possible price but not **below a specified limit.**



Different ways to trade a stock

3. **Stop order** (or stop-loss order)

- It instructs a stockbroker to sell your shares of stock at the market price if a stock declines to or goes below a specified price.



Different ways to trade a stock

4. Time limits

- It instructs a stockbroker to sell your shares of stock during **a certain time frame**.
- Types:
 - Fill-or-Kill Order
 - Negotiated
 - Good-til-Canceled
 - Matched



I will now pass out the textbook packets.

**Please work on
your assignment**

It will be graded at the end of the next class.