

Lesson 14-4

Buying & Selling Stocks

Stockbrokers:

➤ To buy and sell a stock you must go through a _____

_____ to buy and sell securities.

➤ A cash account at a _____

_____ can be opened for as little as \$1000.

Types of Brokerage Firms (see back of these notes.)

Different ways to trade a stock:

1. Market order

➤ The simplest and _____ form of a buy or sell order.

➤ You want the transaction to occur at

2. Limit order

➤ It instructs the stockbroker to buy or sell a stock at a

➤ It includes instructions:

- to buy at the best possible price but not
- to sell at the best possible price but not

3. Stop order (or stop-loss order)

➤ It instructs a stockbroker to sell your shares of stock at the market price if a stock

4. Time limits

➤ It instructs a stockbroker to sell your shares of stock during

➤ Types:

- Fill-or-Kill Order
- Negotiated
- Good-til-Canceled
- Matched

Types of Brokerage Firms

General (Full-Service) Brokerage Firm	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; recommendations to buy, sell, or hold stocks; execution of securities transactions by live brokers and online; and margin loans. Commissions and fees are higher than other firms. See Edward Jones, Raymond James, UBS, Morgan Stanley Smith Barney, and Wells Fargo Advisors.
Discount Brokerage	They charge commissions to execute trades that are often 30 to 80 percent less than the fees charged by full-service brokers. Most offer excellent research and investment tools. See Fidelity, TD Ameritrade, Charles Schwab, USAA Brokerage Services, and Vanguard.
Online Discount Brokerage	Online discount brokers (also called Internet or electronic discount brokers) have reduced the cost of executing a trade to perhaps \$20 or even \$10 because 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.

Scott Trade Example: [Stocks¹](#) & [ETFs²](#)

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

Fine Print:

- ❖ 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 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.