

The Stock Market *for complete beginners*

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Falling into the skill category of 'invest' and 're-invest', the stock market is one of the **5 pillars of creating wealth** – together with business, internet marketing, property and your career. In this context, the following article introduces people to the stock market and demystifies it in layman's terms.

What is the stock market – it is simply a market for ... stocks. What is a stock? A stock is the American term for a share. If you own a share in a company it means that you are part owner of that company. Simply put, if the price of the share goes up, you make money, if the price of the share goes down you lose money. But remember, you own the share so you haven't really lost the money if you don't sell it.

Did you know that in the long term the stock market has historically always gone up? Or that the FTSE 100 (the top 100 stocks in UK) has gone up by an average annual return of 12.4% a year since 1969? In other words, if my mother had put £5000 into the stock market for me when I was born and just followed the FTSE100 index (which is very simple to do), she would now be giving me a cheque for just under £500,000. Thank you mum!

But better still, and this is what most people don't understand, is that had she added an extra £1000 a year to the account, then this £500,000 turns to a massive £800,000. Why? Because it takes advantage of something that Albert Einstein called "The Eighth Wonder of the World", namely Compound Growth. Compounding your money means taking the profit and instead of doing what 99% of the population does – spend it – we are going to reinvest it, either in the same share or a different share. How much do we reinvest? All of it. I suggest you read the last two paragraphs again because here we have revealed one of the true 'secrets' to creating wealth.

Years ago we had to deal with banks and brokers to buy shares. Since they were the experts, the layman had to listen to their advice. Many brokers however, don't know much about the stock market, apart from making money selling shares to the general public. Nowadays we have online platforms like www.selftrade.co.uk where we can buy shares of a company that we have researched on the internet.

This leads me to the most important part of the article – choosing a strategy for making money in the stock market. It might seem obvious for you to ask what strategy makes the most money and then learn that strategy. However, I believe this is not the right question – unless you are willing to spend many years mastering it and giving up your job. The real question is, what strategy suits your lifestyle? If you have just 2 hours a year, there is a strategy. Or 4-6 hours a year. Or 2 hours a month or 2 hours a week etc. But if you try to squeeze stock market investing into a busy lifestyle, then it will be like trying to go to the gym every day and the result will be the same. .. you won't do it. How do I know this – we have trained thousands of people and believe me, I know.

One thing you must understand is this – there are thousands of companies which are publicly traded. There are many vehicles you can use to trade them (the stock itself, options, spread-betting etc); hundreds of strategies and thousands of combinations of indicators and time-frames to indicate which way the market is going next. It is all very confusing. Add to this the fact that there are three market movements – up, down and sideways and you will begin to understand that there are many thousands of ways of making money in the stock market. So as a beginner, you really want to find a strategy which is simple and which you will actually do.

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To find out more about learning how to invest in the stock market, register by contacting us online or by telephone to find the location of the nearest free evening event.

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