

How to Start Investing in the Stock Market: A Step-by-Step Guide for Beginners

Investing in the stock market can be an excellent way to build wealth over time. Whether you're saving for retirement, aiming to make a major purchase, or just looking to grow your financial portfolio, understanding how to start investing in stocks is crucial. This guide will provide a step-by-step approach to get you started on your investment journey.

What is the stock market?

The stock market is a marketplace where stocks (shares of ownership in businesses) are bought and sold. It serves as a platform for companies to raise capital by issuing shares and for investors to purchase a piece of these companies. Stocks are traded on stock exchanges such as the New York Stock Exchange (NYSE) and NASDAQ.

How does the stock market work?

When you purchase a stock, you own a fraction of the company. The value of your shares will rise if the company performs well, leading to capital gains when you sell the shares at a higher price. Conversely, if the company's performance declines, the value of your shares will decrease. Stocks can also provide income through dividends, which are periodic payments made to shareholders from the company's profits.

Key terms to know

- **Stock:** A unit of ownership in a company.
- **Dividend:** A portion of a company's earnings distributed to shareholders.
- **Capital Gains:** Profit from the sale of a stock.
- **Brokerage:** A firm that facilitates the buying and selling of stocks.

SETTING FINANCIAL GOALS



