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Investment Strategies for the Stock Market

With Great Profit, Comes Greater Risk

So you have been trading stocks for quite some time. You feel that you have mastered the art of trading and want to go further. You think you can play with the big boys now.

Well then, step up to the plate and get ready for some advanced stock market trading.

For advanced traders, using margin, selling short, considering IPOs, and other sophisticated trading strategies can open a new world of trading experience and potential profits.

Understanding IPOs

IPOs or initial public offerings mark the transition of a company from a privately owned firm to a public held firm. Every incorporated business issues stock, although initially, to a few stockholders. In order for a company to raise capital without incurring debt, one way is to sell stock to the public.

There are two ways to make money from IPOs.

First, is to get in early and buy stocks, hope for a quick big increase in value, and then sell for a quick profit.

The other is to watch and wait. See if a stock is fairly priced. If it's reasonable, grab the stock.

Shorting Stocks

Selling short is an advanced technique. Short sellers look for the best stock to sell. Short sellers sell stock they don't actually own with a belief the value will come tumbling down in the near future.

When the price drops, they can buy the stock at the lower price, pocket the profit and return the shares to the owners.

Short selling is risky though. If the prices jump instead of drop, you will lose money. There is no way to easily speculate if a stock will fall. So the potential for loss is greater than the potential for profit.

Margin Trading

Margin accounts can allow you to borrow money to buy stock. Margin trading uses borrowed money to increase how much stock you can buy. This money can be supplied by a broker.

If you were to buy a stock worth \$1,000 without the use of margin trading, you would have to

dish out the \$1,000 dollars. But if you margin trade, your broker can lend you half of the amount or \$500 and you only need to shoulder the other \$500.

If the stock gets you \$10 per stock, profit will be based on the number of stocks you bought with \$1,000. Then you can pay the broker back. If you did not margin trade, your profit would only have been for the number of stocks you could have initially afforded for \$500.

Closing

As with everything in life, there is a flip side to every coin. The greater the profit, the greater the risk. Advanced trading is not for the faint of heart.

A Business Blueprint to Stocks

Because of the large size of the stock market, beginner investors seem to feel overwhelmed as to where to even begin investing their money. To most people, the stock market presents a tangled web of options but does not provide the road map of clarity to direct their way along way in their investment adventure. The key to investing in the stock market is to become as educated as possible so that you know exactly what is taking place at all times. This helps people to make logical and sound decisions about their money, thus, reducing the stress involved with investing.

The average person, when beginning to entertain the idea of investing in the stock market, falls into one of two categories. Category one is the gambler who feels that investing is definitely a form of gambling and no matter what they do, they are certain that they will lose money rather than make money. It seems that this opinion of investing in stocks is either formed from friends and family that have lost in the stock market or personal experience. If a person has personally lost in the stock market, it is quite evident that they were not educated enough at the time of their investment into the stock market.

Therefore, they must become educated as to what exactly the stock market is as well as how it works in order to become successful investor. Category two, on the other hand, represents the "go-getter" investor, which is an individual who knows that they should invest into the stock market for the security of their financial future, but they have absolutely no idea where to begin. The "go-getters" tend to leave their financial decisions up to professionals; therefore, they are unable to explain why they own a certain stock.

A typical "go-getter" operates in blind faith, as one stock goes up in value, they more than likely will purchase it. The "go-getter" is in worse shape than the gambler in that they will invest like everyone else and then wonder why they receive unsatisfactory or devastating results. This just proves that the average person should become thoroughly educated about the stock market as well as stocks before investment takes place.

Essential to every economy is business...businesses that started out as small operations who have grown to become money making giants, raising capital by selling stock in themselves to people who are wanting to invest to make their futures financially secure. As small businesses

begin to grow, one of the greatest obstacles is generating enough money in order to expand into a larger operation.

Businesses either borrow the money in the form of a loan from a bank or venture capitalist, a person that will invest money into a business in which they feel they will receive a high rate of return, or a gain from their investment into a business, in order to generate the cash to expand. The most common option for a business to obtain money for the reason of expansion is to take out a loan; however, there is no guarantee that a bank will lend money to any given business.

In this case, business owners turn to the stock market for help in the form of issuing stocks. Business owners relinquish a tiny fraction of control over their business and in reciprocation, the stock market provides that business money that does not have to be paid back, in order to ensure expansion.

As an added bonus, the business is allowed to “go public,” a phrase that means a company is selling stocks for itself for the first time, so that business owners no longer are forced to borrow money from banks because they can simply use their own stock for receiving monies to use toward expansion. Thus, as the business grows and sells their stocks to people, the better chance an investor has on gaining a return on their investment as opposed to a loss.

As an investor, it is to your advantage to efficiently research each and every business in which you plan to purchase stocks. The more facts you know about any certain business, the easier it is to make a logical decision as to whether you should purchase stocks or choose a different business in which to work with.

What Stocks Are and How Stock Market Investments Work

People hear about the stock market every day. Each time the stock market hits a high, or a low, people hear about them. Daily statements are also issued about the activities of the stock market and its relevant economic implications. But what really is a stock market? What are stocks? And why is it that people want to do stock market investments?

The stock market is the marketplace where the trading of company stocks happen. These stocks may either be the securities, which are listed on the stock exchange or those which are traded in a private manner. Stock market investments allow companies and private individuals to get a share of ownership in large corporations. It is also a way of gathering large sums of investment capital, which is difficult to produce if the business is solely-owned. The large capital then comes from the stock market investments.

Stocks are shares of a company or business, which gets on sale in the stock market. Stock market investment happens when a person buys a share of a company's stocks that were put on sale in the stock market. For example, a businessman decides to sell his business in the stock market. Each stock market investment is represented by the person who buys his share of stocks. When this happens, any person who buys stocks in the businessman's company will have an equal share of profits by the end of the year, and an equal vote in the company's business decisions.

In the past, stock market investments were done by individual buyers and sellers. Through time, however, this has changed and the market participants evolved from individual investors to large corporations. This change in the activities of stock market investment has also helped to control movements in the market.

To encourage stock market investments, a business that wishes to sell its stocks to individuals and corporations could only do so if it becomes a corporation. Individual capital investors and big corporations who buy a number of shares of a business or a corporation are then called shareholders. Shareholders are the owners of the new incorporated business. Their stock market investments gave them the authority to claim ownership of the business. These people can now decide whether to privately or publicly hold their corporation.

In a privately held company, the shareholders are few and probably know one another. Their stock market investments are known to each other. The publicly held company, however, is owned by a large number of people who do stock market investments on the public stock exchange.

Strategic Moves on Stock Market Investment

Stock market investment is a risky stance, but it should not stop any aspiring investor from taking the first step. The choice to make the stock market endeavor succeed lies upon the investor.

1. Knowledge

A wise investor would only delve into stock market investment upon being apprised with the necessary and crucial information. It is a must to invest on companies only upon learning everything about it, from its past records, current performance and future plans.

Stock market investment advice should be sought considering the difficulty of locating that right stock that will give big returns. The investor must fully know the fundamental value of the stock he or she will buy.

Invest in a company, which belongs to a familiar industry. The stock market investor must have a good understanding of the business in order to realize more the value of the stocks. This will also make the investor less dependent to analysts and advisers.

The sources of information to rely upon must be carefully chosen too. Tips offered in the market should be avoided as much as possible. These are usually given by people with vested interests.

2. Long-term goal

An important consideration in stock market investment is setting a long-term goal. The long-term goal would determine the approaches to be taken and influence the decisions to be made.

The adherence to that goal would ensure regularity in instances of indecision when the stock market gyrations come to play. It would avoid whimsical decisions adversely disturbing the finances. A long-term goal could result to a more stable financial future through steady purchases investments. The key word here is consistency.

3. Calculated Risks

There are risks in any business endeavors. However, this must be calculated to minimize the probability of loss and to increase the expectation of profits. Speculating is not an option.

Never gamble and risk losing big money in the stock market. Investments should not rake in huge losses. It is easy to buy stocks, but money lost would be difficult to gain back. One cannot afford costly mistakes.

The established system in realizing the long-term goal must be strictly followed then. This will reduce the probability of putting too much money just to incur big losses.

5. Discipline

To make the most of the stock market investment, the investor himself must possess the proper determination and discipline to continually persevere in realizing the long-term goals set.

Stock market investment today requires passion and courage to come out as a winner. The stock market gives the opportunities; all that is required of the investor is being prudent.

The Thrills of Investing in the Stock Market

Investing in the stock market has its thrills. That is why it is not surprising that there are more and more Americans investing in the market, despite the risks of losing their money to invest. Why not save, you might ask? It is easier to sleep at night knowing that your money is safely kept in the bank rather than knowing that your money you invested in a certain company gone pffft after the company stock crashes.

But, you see investing has its rewards. True, there are risks, but risks are part of the game of investing. The hope of having bigger money after investing looks promising on a variety of reasons.

What are some of these thrills that make someone go out and invest in the stock market, hoping for a larger financial return?

First is that, compared with saving, investing is the proactive use of your money to earn more money. In investing, it is your money working for you. Unlike saving which is a passive activity, you invest your money in the stock market and hope for a larger money return. Now, ain't that fun?

When you buy stock shares of a company, you are in effect buying a piece of that company. In short, you become a part owner. Being a stockholder of the company entitles you to certain rights. This includes voting on important company matters and getting profits if the company distributes dividends. Doesn't it feel great, for example, if you own stock shares of Coca-cola?

Another reason to be a stockholder is that you participate in that company's growth of the company. If for example the value of the company increases, your investment also increases too. If profits increase, don't be surprised if you receive bigger dividend checks. Some stock prices increase for a long period. For instance, some long-time employees of Microsoft became millionaires because of the dramatic increase in their stock value.

"No pain, no gain." It's a cliché, of course, but that is the one thing that you must remember in investing in the stock market. How can you get more money if you don't try investing? Do you really think that your money will increase if you invest it in a bank (which offers low interest deposit rates) compared with investing?

Risks are part of investing, as in any other decisions you make. But given the thrills of investing, shouldn't you be investing too?

Buying Stocks? Learn the Art of Timing Stock Market Investments

A stock is simply a form of a person's ownership and claims in an incorporated company. A person who owns stocks in a company has a claim on its properties and profits. He also takes part in decision making. As he buys more and more shares in that particular company's stocks, his ownership stake increases and becomes greater.

Timing stock market investments affects the value of the stocks that are bought or sold in the market. Market timing affects the profit returns of a buyer or a seller in the stock market. It is also a method of strategic importance in the stock market. Market timing is attributed to logic and can become an acquired skill. It is a skill that can be an asset to a person who participates in the market, whether as an investor, or as a stockbroker who knows how to play with stock market timing.

Market timing determines whether a stock seller or a buyer will benefit monetarily or otherwise from his purchases or sales. Most stockholders hold their stocks up and wait for the value to increase. When the value of these stocks increase in the market, this is the time when they plan to sell because it is at this time that profits are projected to be high.

However, peaks and lows in the stock markets are unpredictable and irrational. But this does not mean that timing stock market investments is not good. It is not advisable to ignore the times when there is significant undervaluation and overvaluation in the stock market. This is the importance of timing stock market investments. To buy stocks, which are guaranteed to peak while they are still selling low; and to sell high value stocks, which are expected to fall. If an investor ignores these important market movements, then he is bound to lose instead of gaining huge profits from overvaluation in the stock market.

Timing stock market investments can also be compared to stock picking, and the two concepts can go hand in hand. Stock picking is also an important skill and like market timing, one that can be done using logic and reasoning.

If a stock market buyer or seller is an expert at timing stock market investments and stock picking, he must focus on sourcing stocks, which are guaranteed to outperform. He must also find corporations with competitive advantages, sustainable growth, and important values for these companies are guaranteed to have more stability and therefore, profit.

Reducing Market Risk with Dollar Cost Averaging

The measured purchase of securities and stock at predetermined levels is called dollar cost averaging. This practice may be something you, as an investor, are already doing without realizing it. Rather than investing a large sum of money at one time, dollar cost averaging plans work to slowly buy smaller amounts of stock over a longer period of time. This way the cost is spread out over several years and protects investors from changes in market price.

Dollar cost averaging eliminates having to play the risky game of market timing. In other types of investment strategies, you wait until your desired company has a low stock price meanwhile hoping that the stock will increase in value. You do not want to invest in stock that is on its way down, yet at the same time you don't want to buy high only to have to sell low later on. Determining when to buy your stock and find the bottom of a price swing is complicated and based on speculation. Dollar cost averages removes the hassle and presents a solution for longer-term gains.

Dollar cost averaging works by investing a fixed amount into a security or stock per pay day or month, regardless of the stock price. In bull times and bear times, you buy your stock at the market price.

Many are unaware, but 401(k) plans operate on this same principle. Defined contribution plans such as 401(k) and 403(b) plans use dollar cost averaging to build retirement funds. Each pay period, the employer takes a certain amount of your salary before taxes and deposits in one or more accounts. These accounts are often mutual funds or annuities.

Dollar cost averaging also helps take the emotion out of playing the market. The established amount comes out of your account regardless of the market price. You simply let the market fluctuate as it will, and you invest your money regularly.

There are three simple steps to setting up your own dollar cost averaging plan. First you must decide exactly how much money you can afford to invest each month. Decide on this figure carefully because this is an amount that you need to be able to contribute to your plan on a long-term basis. It is okay if you want to increase the amount later, but for the time being pick an amount that is manageable for a long period of time.

Secondly, you need to select an investment that you want to hold for the long term. Ideally, you want to hold this investment for five to ten years, or perhaps longer. Pick something that

has been around for a while such as a well-established company or an index fund.

The third step in the plan is making investments into the security that you've chosen. This is done on a weekly, monthly or quarterly basis. It is best to set this up as an automatic withdrawal if possible.

For example, let's say you choose to invest \$300 per month for six months. The first month, the shares are \$5 so you are able to buy 60 shares. The next month shares are up to \$10 and you purchase 30. The third month shares are \$6, and the fourth they are \$12. In the fifth month of your investment plan shares are \$10 and in the final sixth month they cost \$5 per share again.

Over this six-month period, you are able to buy a total of 255 shares for \$300 per month. The average price of the share during this time it is \$8 when you divide the combined costs of individual shares by the number of months ($\$48/6$). However, with your dollar cost averaging, you only paid \$7.05 per share when you divide the total amount spent by the total number of shares purchased ($\$1800/255$).

The price fluctuation is exaggerated in this example to show how the process works. The benefit of using dollar cost averaging is that you don't have to guess when the shares will be at a low price. With traditional investing toward the example above, you might have avoided investing during the second, fourth and fifth months or you may have hoped that the \$12 per share was a sign that the share would be rising soon.

Over a long period of time (in most cases much longer than six months) dollar cost averaging helps the individual investor gain powerful leverage in the market. With a dollar cost averaging plan, you can get a better price than guessing when to buy.

The Value Stock Investor: A Long Term Investment Strategy

Value stock investing is for those investors who are interested in the financial workings of the companies in which they buy stocks. This type of investing is based on analyzing the potential for a stock based on its company's earnings and current financial picture.

The key to profiting in value stock investing is finding stocks that are worth more than what they are valued. This only comes from careful analysis of the company's financial picture. In addition to carefully selecting stocks, the value stock investor is traditionally a buy and hold investor. They invest themselves in the company for the long haul.

The value stock investor does not pay less than \$2.00 per share and is not interested in bargain basement stocks. They are looking for diamonds in the rough, stocks that have been inappropriately devalued or have not been recognized for their potential. A stock can become inappropriately devalued when an entire industry is "punished" for one company's mistake.

For example, an oil manufacturer's ship causes an oil spill and the stocks for all oil manufacturers drop in the following months. Since much of the market is based on investors'

perceptions of stock value, an entire industries' stock can be devalued from a perceived dip in the value of an industry.

When the market incorrectly values a stock, and there are no fundamental problems with the company, then the market will eventually correct itself to the profit of the value stock investor. To determine the true value of a company's stock, the value stock investor looks at some fundamental qualities. Earnings growth and cash flow are taken to account as well as book value and dividends. These principles are more important than market factors on the stock's price.

For investing purposes, the value stock investor will pay attention to several factors. Every investor has an individual formula that works for him or her to determine the value of a stock. A potential investment should have a Price Earnings Ratio (P/E) in the bottom 10 percent of its sector.

Price Earnings Ratio is determined by dividing the current price of the stock by the annual earnings per share. A value stock investor may also look for stocks that have a PEG of less than one. A PEG is determined by dividing the P/E by the potential growth. When a stock has a PEG of less than one this indicates that the stock is undervalued.

Additionally, a value stock investor may take a look at the debt to equity ratio of the company. If this ratio is less than one, this is a sign of a potential investment. A price to book ratio (the share price divided by the book value per share) should also be a ratio of one or less.

After looking at the principles mentioned above, the value stock investor determines if the stock is below its obvious value on the market. Again, it must be stressed the value stock investing is not looking for cheap stock alone. It is a combination of researching and determining the actual value of a stock, and looking for a stock listed below value. The value of the stock must be determined first before the value stock investor can decide whether the stock purchase is advantageous.

Determining the intrinsic value of a stock can be the most difficult part for any investor and especially so for the value stock investor. As the market is starting to lean toward non-tangible industries such as technology and knowledge, it is getting more difficult to determine value. There are several websites available that help value stock investors determine the fair value of a stock.

MorningStar.com offers such a service as well as Reuters. It is important to remember to add a margin of error to the intrinsic value found online. For example, if you have determined through your research that the value of the stock is \$50, lower your target to \$45 per share just in case that projection is wrong.

If you research wisely, buy carefully and hold stocks over the long term, value stock investing can work for you. This philosophy works best if you take the time to do the necessary research and find those diamonds in the rough.

The Warren Buffet Investing Strategy

Even those who are not very familiar with the world of the stock market have probably heard of Warren Buffet. He has been called the most successful investor of all time. He netted over \$42 billion personally with an investment partnership he started with only \$100.

While he has been sometimes categorized as a "value stock investor" his method was actual a bit different. He focused on the quality of stock as well as the value. Robert Hagstrom, a senior vice president with Legg Mason Capital Management, presented Buffet's method in the book "The Warren Buffet Method" over 10 years ago. Hagstrom wrote the book because he believed that the average investor could learn from Buffet's method.

Buffet's incredible story begins with a small investment partnership established in 1956. In the mid-1960s, this partnership acquired a failing textile company. Buffet was able to bring this company's net worth from \$22 million to \$69 billion.

The Buffet method is broken down into 12 tenants that form the basis for evaluating any investment, from stocks to entire companies. One of the key points in the method is that it is necessary to do some hard work (like research and projections) in order to know the investments thoroughly before any money exchanges hands.

The twelve tenets are really questions to ask yourself before making an investment. According to Buffet via Hagstrom, the first consideration is "Is this business simple and understandable?" Buffet did not invest in any technology stocks for the simple reason that he did not understand them. If you understand the business you are investing in (or outright purchasing) you will be in position to see the problems and possibilities as they arise. Secondly, ask yourself "Does the company have a consistent operating history?" Viewing the viability of the business in its previous operation can forecast future trends.

The third tenant is "Does the business have favorable long-term prospects?" This question is a gentle reminder that wise investors hold stock in good companies for the long term. Looking to the future of the companies reveals the true value of the investment.

Next, "Is the management rational?" Buffet places a great deal of importance on evaluating the management of the company. He pays attention to how the excess profits of a company are used. Additionally, he asks "Is the management candid with shareholders?" He believes that many company executives hide behind the company and do not fully disclose information to their shareholders.

A manager who readily admits any mistakes made is more honorable and trustworthy. Following the theme of management related questions are "Does the management resist the institutional imperative?" Essentially this question evaluates the manager's ability to act with character rather than cave-in to the peer pressure to do what other managers are doing.

The next question for evaluation is "What is the return on equity?" Buffet focuses on return on equity rather than the more popular ratios. This is because he feels earnings figures can be manipulated. The long-term return on equity will have a more powerful effect than simple earnings.

The 8th tenant is "What are the company's owner earnings?" His calculations of owner's earnings include estimates of future capital expenditures. The 9th tenant is "What are the profit margins?" If a company makes sales but does not profit, then the company is a failure. Buffet avoids companies with large expenses because in his eyes it reflects a lack of discipline in the management of the company.

The 10th tenant is "Has the company created at least one dollar of market value for every dollar retained?" This is a test of correct capital allocation. If the company is holding onto cash but is not helping its shareholders than something is wrong with the management strategy.

The final two questions are "What is the value of the company?" and "Can it be purchased at a significant discount to its value?" Buffet calculates the value of a company as the total of the net cash flow expected to occur in the life of the business. By buying at discount, an investor will assure that any discrepancies in his calculations will be covered.

Using Stock Trading Strategies

As with any difficult activity, the best way to be successful is to have several strategies in place to ensure that failure is not an option. Because stock trading is such a delicate issue that deals with your money, it is extremely important to have some active strategies in order to know when to trade your purchased stocks. Your ultimate goal is to make money in order to carry out your financial future in a way that you can feel satisfied. By strategically working the following strategies for stock trading, you are able to ensure complete satisfaction with your money.

As an investor, do not feel as if you have to become deeply analytical researching into wee hours of the night about stocks of certain companies as you spend you time drenched in a monsoon of financial statements, spreadsheets, etc. For some people, this complicated, analytical strategy works best, however, it is not the only strategy in place to successful investing with stocks. An easier strategy is the "Pyramid Scheme" which includes three points that actively work together in order to make all individuals successful in trading stocks.

The Pyramid Scheme

Step One: Keep your number of targets small and make sure you don't set your expectations too high. For example, you feel that a safe and profitable stock investment would be in snack foods. So, you decided to pick the market leader in snack foods NOT the snack food company with the highest prices to trade stocks. This ensures success for the long-term and not just a "get rich" fast strategy.

Step Two: Invest in growth industries, one in which will continue to grow for hundreds of years to ensure that you receive a high return on your investment. For example, let's say that you own 1,000 stocks in a pet food company. It is logical to say that pet food itself is a growth market; however, the particular company in which you bought shares may go out of business tomorrow. So, you decide to trade your shares for a more stable type of business, such as

computers. Because computers are the way of our future, it is logical to sell your 1,000 shares in pet food and purchase 1,000 shares in a computer company, such as Dell to ensure growth on your initial investment.

Step Three: Invest in market leaders, companies that seem to have a monopoly in their industry, even if their stocks seem over priced. For example, Microsoft has dominance in the software industry to the point that they are in no danger of losing their market dominance, which simply means more money for you if you choose to invest in a company such as this.

With the "Pyramid Scheme" you can rest assured knowing that all three of these simple steps work together to form a reliable strategy in which to work with in order to trade stocks.

Another equally as effective strategy for trading stocks is known as the "Basic Strategy" in which you vow to invest in an even number of shares in an even dollar amount. The reason you must invest in an equal number of shares is because no one can accurately predict which stocks will increase in value, therefore, you are investing on emotion.

For example, Stock X is priced at \$100 per share so you decide to purchase 10 shares for \$1,000. However, Stock Y is only \$40 per share, so you decided to purchase 100 shares for a total of \$4,000. In the meantime, Stock X goes up \$10 so you have just earned \$100, but Stock Y goes down \$2.00 so you loose \$200 which means you are in the red \$100. Therefore, you must trade in Stock Y for more of Stock X in order to make a return on your investment.

There are thousands upon thousands of stock trading strategies currently in use, some are free and some you must purchase from certain companies claiming to have the way to make a 1,000% return on investment. It is totally your choice as to what strategy, if any you choose to incorporate into your stock trading. The healthiest advice toward stock trading strategies is to always use your common sense when dealing with your money.

Investing: An Approach to a Restful Future

In today's unsure society, it is extremely important to develop a financial plan that will not only help your current situation by easing your mind about the future, but will also help to ensure that your retirement is a time of well deserved rest and relaxation. By investing money, you are creating a situation that will enhance your way of life as you commit your money for a specified period of time with a risk for the purpose of gaining a financial return.

With any type of investing, there is a risk ranging from minimal to maximal, however, your main focus should be on making as much money as possible in a short period of time without losing any of the principle amount that you originally began with. Many people are afraid to invest after they learn that there is a risk involved, but the more you become educated about investing, the easier it is to make knowledgeable decisions about your money.

Being aware that risk is involved in investing does help to make an educated decision about your money, but the degree of risk involved is dependent on the option in which you choose. You must be aware that, as the old saying goes, "if it sounds too good to be true, it probably

is!" Therefore, you should not invest into any program that will keep you worried and stressed about your money.

When choosing to invest your money, one issue of the utmost importance is that of time. Timing is the essential element to investing that is the determinant as to whether you accumulate money or not. The sooner you begin to invest your money the sooner you begin to make money, thus, when the time comes to use your collected lump sum, the greater the return on your investment.

For example, if you begin to invest money when you are twenty years old and your friend decides to wait until he or she is thirty years old to invest their money, in the long term, you will have made the most money through your investment due to the fact that you began 10 years earlier. Therefore, it is important to begin investing as soon as you are financial able by having a solid financial foundation, meaning that you have money left over to invest after you have paid all of your present financial obligations.

In the financial realm, with investments, there are numberless options to choose from, hence the reason you should become educated before investing any of your money. With any option that you choose, you need to make sure that there is a minimal to moderate risk level in exchange for a reasonable rate of return (or the percentage rate that you earn on each dollar you allocate toward your investment fund).

You should also make sure that your first investment plan is qualified by the IRS so that, as an American, you gain certain tax advantages when you decide to participate in a long term investment opportunity. By doing this not only do you gain the immediate reward of tax advantages, but you are properly ensuring that your future is planned for.

It is impossible to accurately calculate the exact amount of money that you will need in order to retire to meet your standard of living (the amount of money that you require to live comfortably). However, it is critical that you obtain an approximate figure for your retirement so that your standard of living does not suffer and you will have a better idea as to which investment opportunity is ideal for you.

To do this, you must determine how much you currently earn per year and figure 70-80% of this amount, which will become your annual income when you reach retirement. For example, if you currently procure \$100,000 per year, 75% of this amount is \$75,000, which is a logical representation of your retirement amount. In order to generate this retirement, you must take 5% of your current income of \$100,000, which is \$5,000 and invest this amount monthly until you retire. Once you begin investing a set amount monthly, be sure to check in occasionally to ensure that the total you are investing is helping to reach your desired amount and adjust accordingly.

Again, with any decision involving money, investing is just another subject, in which it is extremely beneficial to become educated so that you are able to ensure a successful retirement for you and your family.

The Stock Market is a Game

As a kid, have you ever played the board game Monopoly? This is a game that deals with properties, banks, infrastructure, and millions of colorful dollars.

Like in Monopoly, the stock market is a game in which you have to decide the buying and selling of your properties. Although in the case of the trading business, you are making stock market decisions.

The money you collect in Monopoly when you have circulated the whole board game would be the dividend or the payment in the stock market. The amount of the money you collect would be determined by the properties you have in the game. Just like in the stock market, the more shares you have, the larger amount of money you would be given.

When you are getting bankrupt in the game of Monopoly, you have the power to sell your colorful houses or building when you need to regain your finances. Just like in your stocks, when the market falls, you have the authority of which shares to sell out and which shares to retain.

In winning the Monopoly game, you are obliged to keep your properties before the construction of your houses and hotels. You would lose to your challenger if you sell these properties to him even for twice the normal price of your property. Just like in the stock market, making lots of money does not mean you are successful in what you're doing. In order for you to win with your stocks, you should be able to double your property to give you a higher dividend of shares.

In playing the board game, you need an opponent to start the game. It's your opponent's job to prevent you from owning many properties and collecting large amount of money from him and from the bank. Just like in the stock market game, there are also factors that prevent you from the success of your shares. These don't necessarily have to be other investors, but it could be the taxes you are obliged to pay or the interest of your stockbroker from your dividend.

Playing the game of the stock market could be done even with just a little amount of money. Just like in the board game, all you have to own are colorful play-money for you to own properties and collect more money in the future.

Although the trading system could be compared to the board game, you should take the stock market seriously. Why? Because this is real life and real money is at stake.

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