

Common Stock

Common stocks are ownership shares in a corporation. They are issued initially by a corporation and then traded among investors. There are two typical ways to make money with common stock: when you sell the stock for more than you paid for it, and when you receive dividends (a portion of company profits paid by some, but not all, common stocks). Common stocks offer no performance guarantees, but over time have historically produced a better return than many other investments. The risks are that the individual company will not do well or that stock prices in general will weaken. Stock mutual funds buy the stocks of many different issues and are generally considered less risky because losses in some of the stocks may be offset by gains in others.

© 2009 SmartMoney. Prepared by SmartMoney Custom Solutions. SmartMoney is a joint publishing venture of Dow Jones & Company, Inc. and Hearst Communications, Inc. All Rights Reserved.

CustomSolutions
FROM SMARTMONEY