JAMES ALTUCHER'S

INVESTMENT NETWORK

ALTUCHER'S INVESTING 101 GUIDE

paradigm

Altucher's Investing 101 Guide

You don't have to be a computer engineer or gifted programmer to make a fortune in artificial intelligence and other tech breakthroughs…

All you have to do is invest in businesses that are doing the hard work for you.

If they're even moderately successful, you could see nice gains.

And if they create something truly world-changing, it could turn your seed money into wealth that lasts for generations!

But many people don't know the first thing about investing — even though websites, smartphones and apps have made it easier and more affordable than ever.

Of course, *Altucher's Investment Network* is all about helping you take your financial future into your own hands…

So let's start with one of the most basic investment tools available to you — the stock market.

Once you know how to buy and sell shares of companies with bright futures, you'll open doors to many, many more moneymaking opportunities.

The first step is to understand exactly what you will be buying…

Buy a Piece of a Business

Just about every company in existence uses stock shares to represent ownership stakes in the business.

The stock shares make it clear who has the most say in a company's future, and it helps divvy up profits or assets.

Since one share is essentially the same as another, they're often called equities.

The vast majority of these companies are private.

That means only certain people are allowed to buy, hold and sell the shares. The pool is mostly limited to the company's founders, executives and their close associates.

But as the start-up grows, they may seek private investors.

Off-Limits to Most People

Private investors are people and institutions who meet the strict income and net worth requirements to invest in companies at their earliest stages.

The minimums are set by law, so you may hear them called accredited investors. You may also know them as venture capitalists, angel investors or private equity investors.

Believe me, there's nothing better than putting money into promising companies when they're just starting out.

It's your chance to steer how a business grows.

Yes, the risks are very high — which is why the government limits who can take advantage of these opportunities.

But I can tell you from personal experience that the potential payoff is more than worth it.

(If you think you can qualify, my *Paradigm Venture Group* may interest you. We only open membership certain times of the year, though — so keep a lookout for the next time it's offered.)

But if a company wants to attract even more investors with virtually no restrictions, it can decide to take itself public…

Publically Available Wealth Opportunities

You may have heard the terms "private" and "public" companies before…

and gotten a little confused.

Outside of Wall Street, the word "private" generally means access is limited or costs money. And "public" is taken to mean something that is government-owned but accessible to all.

Think of a public park vs. a private park… a public beach vs. a private one… or a public and private school.

But in investing, a public company is something else entirely. It has nothing to do with the business, its clientele or government affiliation.

"Public" just means that a company has put its stock shares up for sale on a regulated stock exchange — a network that makes it easy to connect buyers with sellers.

To do that, companies must meet certain requirements that essentially prove they're a real business. They also must be willing to share their financial numbers with anyone who wants to see them.

That information is available either on the company's website or through the U.S. Securities and Exchange Commission (SEC), which regulates stock markets.

Private companies aren't obligated to make the same disclosures, which gives public companies an added veneer of safety.

And while just about anyone can buy shares of a public company, you generally can't do it directly.

Instead, you need to partner up with a stockbroker.

Meet the Middle Man

Stock brokerages, usually shortened to just "brokers," are companies that are licensed to buy and sell stocks on their client's behalf.

To become a client, all you have to do is open and fund an account.

Your broker will hold that money until you withdraw it, transfer it or spend it to buy stocks. It will also hold any stock shares you buy — known as your portfolio.

You'll use your stock broker when you want to sell your shares, too. And your broker will keep track of your profits and losses… as well as provide forms to help you do your taxes each year.

There are dozens of stock brokers to choose from, either online or in smartphone apps.

While most offer the exact same services, there are slight differences between them.

Now, I'm an independent financial researcher, so I'm not affiliated with any stock brokers. I also can't tell you one broker is better than another.

The best I can offer is some basic information to serve as a jumping-off point.

Three Things to Consider

When looking for a broker, fees are probably the biggest concern.

Not too long ago, brokers would charge their clients for every transaction. That fee is known as a commission.

Today, most brokers have done away with commissions. So for the most part, you should be able to buy and sell my stock recommendations for free.

In some situations, you may need to pay extra for certain special services — but they should be rare if you're just planning to buy and sell stocks.

The next thing to consider is how much you'll need to deposit to open an account. Some brokers don't have a minimum deposit, while others require a certain amount of cash.

You may also wish to check for any maintenance fees in case your account falls below a certain threshold.

All this information can be found on the individual broker's website.

Finally, you'll want to be comfortable with a broker's trading software. If you're just starting out, you only need to check how easy it is to buy or sell a stock. In this day and age, it's likely to be a very simple process.

The broker's website might have screenshots of its software, possibly even a free demonstration.

The broker will likely tout its research options, which will give you a wealth of data about any company.

These tools might become more valuable as you learn more about investing… but don't let it worry you for now.

With those things in mind, let's share some basic information about a few popular brokers.

A Quick Look at Some Popular Brokers

Here are some well-known brokers you may have heard of. I'm not recommending them — I'm just trying to help narrow down your search.

Robinhood — This online broker launched in 2013 and offers a streamlined interface and absolutely free trading. Zero commissions. Zero minimum balance.

On the downside, Robinhood doesn't offer practice accounts. So you'll need to use your own money to see how it works.

The company also offers limited customer service. Still, it's a popular platform for a reason. It was one of the first companies to offer commission-free stock trading, forcing other brokerages to follow suit.

Visit their website www.robinhood.com or call their informational support at 650-761-7789 to learn more.

Charles Schwab — The oldest discount broker, Schwab is a platform for all types of investors, with fees similar to other brokers.

The company requires a $0 commission per online trade and a $0 account minimum.

Schwab offers plenty of tools for beginners, including a way to practice trading with its software… though you must open an account first.

Visit their site for details at www.schwab.com or call 1-800-435-4000.

E*TRADE — Easily one of the most well-known online brokers, E*TRADE also offers zero commissions per trade and no account minimum.

It also offers a practice account for its members. And its site has videos showing you how its platform works — which you can watch without opening an account.

You can contact E*TRADE at 1-800-387-2331 or www.etrade.com.

Interactive Brokers — Designed for experienced traders, Interactive Brokers is a little less touchy-feely than other more retail-focused firms, but very good online.

It offers a Pro account and a Lite account — with no commissions on the Lite account. It also has a practice platform you can try without formally opening an account.

Visit their website at www.interactivebrokers.com for more.

TD Ameritrade — Another classic discount broker, in the business since 1975.

Like the others, it offers $0 commissions on stock trades and $0 account minimums. You can also register to open a practice account, which gives you $100,000 in fake money to test out.

Contact them at 1-800-454-9272 or www.tdameritrade.com.

Ally Invest — A relative newcomer to the online investing space, they've been in the financial sphere since the '30s.

There is no minimum account balance and Ally does not charge commission fees on stock trades. It doesn't offer demo accounts for its stock trading software.

Check them out at www.ally.com/invest or call them at 1-855-880-2559.

TradeStation — Another broker that's competitive with others on this list, with $0 commissions and no minimum balance. My colleagues praise its great charting software.

You can also sign up for simulated trading, seeing how its platform works without putting real money on the line.

Contact TradeStation at 1-800-822-0512, or visit them at www.tradestation.com.

Opening Your Account

Once you've found a broker that seems to meet your needs, signing up should be simple.

The broker will want your basic information, of course — name, address, phone number.

If you plan to buy and sell stocks, you'll also need to put in your Social Security number.

Now, I know what you're thinking — giving out that kind of personal information seems like a risk.

But the broker is required to file certain information with the IRS. If you want access to the stock market, you'll have to submit it.

That's why I recommend you stick with a well-known and established broker — one who has spent a lot of money ensuring its clients' data is safe.

You'll also need a way to deposit money into the account. You could link your bank account to your broker account, transferring the money as needed.

Some brokers may let you send in a check — though it means you'll have to wait longer to start trading.

Again, an established broker will keep your money safe, so don't stress linking your accounts.

Finally, you might have to choose the type of account you want. For our purposes, you just need a standard trading account — one that lets you buy, hold and sell stocks.

Once you have a funded account, you're ready to start buying shares of companies on the stock market!

As I said, every stock share represents an ownership stake. Just don't get the wrong idea…

Buy Low, Sell High

Companies issue and sell millions, even billions, of shares of stock. So unless you're incredibly wealthy, you'll never own a significant percentage of a company.

At best, you might be asked to vote on major business decisions — like whether the company should merge with another one.

Each share you own gives you one vote. So once again, it's unlikely you'll own enough of a stake to move the needle.

Also, while your shares may make you a part-owner in the company… you're not an employee or even on the payroll. So don't expect a salary.

Instead, the number one reason to buy stock is because you hope they'll be more valuable down the road.

Put another way, you buy the shares at one price, wait for the price to increase, then sell the shares — collecting a profit.

Companies like Amazon.com… Microsoft… and Nvidia famously saw their stock shares skyrocket in value, from just a few dollars to triple-digits.

It can take a while for that to happen, though. And stock prices can fall as well as rise. So there's never any guarantee you'll see a profit.

The most decisive factor in whether you see a gain or loss comes down to the most fundamental economic forces: supply and demand.

The Power of Supply and Demand

There are a limited number of shares available for any given public company.

So their value at any given moment depends on how many people want them… and what they're willing to pay for them.

Every minute the markets are open, there's an active auction going on.

Investors who want to buy shares bid for them. They're matched with shareholders who are looking to sell at their asking price.

If there are plenty of buyers but not enough sellers, the buyers will have to increase their bids for the stock — hoping to entice other shareholders to become sellers.

That's when a stock's price will rise.

But if sellers aren't finding enough buyers, they'll reduce the price they're asking for their stock shares — causing the stock's price to fall.

All these transactions pile up, sending the share's value higher or lower over time.

It might sound hopelessly complicated… and to be fair, it is. But that's what your broker is for — to navigate the auction process.

All you need to worry about is why stock demand ebbs and flows…

The Key to Stock Demand

For something to go up in value, it has to be worth something.

There are many ways to determine what a company is worth. Perhaps the most common is market capitalization — usually abbreviated as "market cap."

It's the total number of company stock shares multiplied by its current stock price.

Ford Motor Corp., for instance, has about 4 billion shares available for trading. If they're trading for $12 apiece, Ford's market cap is $48 billion.

(I'm just using Ford because it's a well-known company with a relatively modest market cap. You may see it in the *Altucher's Investment Network* model portfolio, but don't consider this a formal recommendation.)

In theory, $48 billion is how much you'd have to pay if you wanted to buy every available Ford share — which would give you complete control of the company.

Obviously something like that won't ever happen. But the mere fact that it could happen drives demand for the stock.

Imagine for a second that you had $50 billion lying around. Would you be willing to use that cash to buy Ford's entire business?

Your answer would likely depend on what kind of return on your money you'd see.

Judging a Company's Value

Maybe the sum of Ford's parts is worth more than the whole — meaning you could sell off all of its assets for a profit.

Or perhaps you expect the company to sell ever-more cars over the next few years… delivering profits that will justify your purchase price.

If an investor thinks a business will be worth more in the future, they'll buy the shares. It creates demand, which increases the share price.

When people think a company won't be as valuable in the future, they won't buy shares.

So shareholders will have to lower their asking price until it reaches what investors consider a fair valuation.

We'll dig more into that dynamic in a second. For now, you just need to understand that share appreciation isn't guaranteed.

When you buy a stock, you could lose money.

Keep that in mind as you move onto the next step — building your stock portfolio.

Finding the Right Stock to Buy

Let's say you would like to own a piece of Apple Inc., the company behind iPhones, iPads and more.

(We're only using Apple because it's a well-known company. Like our Ford example earlier, do NOT consider this an official stock recommendation.)

Every publicly traded company is assigned a short code of letters, known as a ticker symbol. Most are made up of one to four letters, though they can be longer.

Your broker's platform should have a search function. If you enter "Apple Inc.," it should tell you that its ticker is AAPL.

Keep in mind that a lot of companies have similar names, so you'll want to make sure you look up the right one.

For example, you might accidentally bring up Apple Hospitality — APLE — a real estate company…

Your broker's app or website should have more information about the company you're looking at. Look for details about the company's sector, industry or just a business summary to make sure you have the right one.

After you've confirmed you have the stock you want, it's time to buy it!

How Many Shares Do You Want?

If you're looking at a stock's information page on your broker's app or website, you should see an option to "buy" or "trade" it.

Clicking that button should open another window.

Your broker will want to know how many shares you want to buy. Obviously the maximum you can buy depends on the amount of cash you have in your brokerage account.

If you have $10,000 deposited and Apple shares are trading for $150, the maximum you can buy is 66 shares.

But never put all of your money into a single stock. It's better to buy shares of several different companies.

It gives your portfolio diversification — which means you're not depending on a single company for profits.

Remember, stock shares can decrease in value. And if you use all of your investment capital in one stock, your success or failure rests entirely on that stock.

So let's buy a smaller position — just 10 shares.

But before you can submit your order, there's another very important choice to make…

Don't Pay Market Price

As we said earlier, a stock's price is always in motion thanks to supply and demand.

When you want to buy a stock, you have some control over the price you pay. The amount of control is determined by the type of order you use.

If you want to buy stock shares no matter what the price, you will use a market order.

It simply tells your broker to buy the stock immediately at the best available price.

Let's say Apple shares are trading for $155. If you place a market order to buy 10 shares, your order will go through immediately.

Your broker will remove the cash from your account and deposit the shares you now own.

But let's say a large buy order for Apple goes in just as you're placing your order. It could push the share price higher… and you could end up paying $156 or more for the stock.

The problem could be much more serious if you buy a smaller stock, like some of the innovative tech companies we spotlight.

Smaller companies generally have smaller pools of shares available. Plus the demand for them can spike and collapse quickly.

That means their price can be volatile. And by the time your order goes in, your purchase price could be much higher — or much lower — than it was when you placed your order.

So my team and I recommend a strategy that prevents you from paying too much…

Choose Your Price

Instead of a market order, you buy a stock by placing a limit order.

It's an instruction to your broker NOT to buy the stock if it's above the limit price.

Let's say you don't want to pay more than $155 for shares of Apple. So you'd set your limit price at $155.

Now it doesn't matter if a large order goes in before you. If your broker can't buy the shares for $155 or less, they won't execute the order.

Instead, your instructions will stay on your broker's books as a pending order. It will remain pending until Apple shares fall to $155 or below — at which point your broker will try to fill it.

Since a limit order represents the most you are willing to pay, you may end up paying less for the stock.

For example, if Apple shares fall to $150 when you submit your $155 limit order, your broker will execute the trade for you. But you'll be charged the going price for the stock — $150.

In other words, you'll pay $150 a share for a stock you were willing to pay $155 for!

Some brokers give you an option to choose how long you want your limit order to stay active...

Don't Forget to Cancel Old Orders

If you're nervous about buying a stock, you could use a day order. It automatically expires when the market closes.

Continuing our example, if Apple shares don't drop below $155 by the time Wall Street goes home, your order will be deleted from your broker's system.

If you still want to buy shares, you'll need to submit a new order once the markets reopen.

There are also good-to-canceled (GTC) orders. They stay in your broker's system until you cancel it. (Some brokers have time limits on GTC orders, automatically canceling them after a set period of time, such as 60 days.)

Let's say you put in a $155 GTC limit order on Apple shares, but the price stays above $155 for a week before finally falling.

Even though it's seven days later, your order will go through — and you will end up owning Apple stock.

So if you have a GTC order, watch it carefully. If it's not canceled, you could end up with a stock you no longer want.

(Your broker might offer other types of trades, too. They're used for more advanced investment strategies, so there's no need to worry about them now.)

When your order is filled and the shares are in your account — congratulations!

You've just bought your first stock.

Now you just need to wait.

Be Ready for Ups and Downs

The value of the stock shares you're holding will fluctuate up and down.

Some large, established companies may also pay dividends — small cash distributions that will be deposited directly in your account.

(Just be aware that not every company pays dividends, and even the ones that do can increase, lower or simply stop their dividends at any time.)

Your broker's software will show you whether you're looking at a profit or a loss.

Don't panic if you log in and see a negative number. Stock prices can and do fall. They can also recover — taking you into positive territory.

In fact, any gains or losses you're seeing are on paper.

A paper loss means you'd lose money if you sold the position right then and there. A paper profit means you could sell your position for more than you paid for it.

When you actually sell the position, you'll have a realized gain or loss.

Until then, don't stress over every incremental up and down.

Instead, look for big, sudden price jumps… or see if the price seems to be trending higher or lower over time.

If you start to worry about the paper losses or are eager to collect your paper gains, it might be time to sell.

Your broker's website or app should also make that fairly straightforward.

When It's Time to Sell

You're free to sell your stock shares at any time — whether you're sitting on a loss or a profit.

And you don't have to sell your entire position at once.

If you own 10 shares of a stock, you can sell five of them to lock in gains or free up cash… while still holding on to five that could deliver capital gains and dividends.

All you have to do is log into your broker's website or app, then find the stock in your portfolio. There should be a button that lets you make a transaction or sell the stock.

Select that option and you'll be taken to an order screen. From here, the process is largely the same as when you bought the stock.

You'll have to specify how many shares you wish to sell. After that, you'll put in your order type.

Once again, a market order tells your broker to execute your trade immediately.

If the price is jumping around a lot, a market order could mean getting less money for your stock than you anticipated.

Yes, you can avoid that situation with a limit order. Just keep in mind that it works a little differently than when you're buying shares.

Choose Your Profit Point

When buying a stock, a limit order specifies the most you're willing to pay for it. When selling, a limit order sets the *least* you're willing to receive for the stock.

That's because a sell limit order only triggers if the stock is *at or above* the price you set.

Let's say you bought Apple Inc. shares and now want to sell them for $165 or better.

If you submit a sell limit order set for $165, your broker won't make a move unless Apple is trading for $165 or more.

If Apple is trading for $167 when your order goes in, the trade will trigger right away… and you'll receive $167.

If Apple is at, say, $164 when you submit your sell limit order, the instructions won't trigger until Apple's price goes up $1.

You can also choose how long the order is in force — with a day order or one that's GTC.

That gives you the power to set up profitable sell alerts in advance. For example, if you buy Apple shares for $155, you can immediately set a GTC sell order for $165.

The order will sit there for weeks, even months… however long your broker keeps a GTC order open. If Apple shares hit $165, your broker will automatically sell your shares for a profit!

Just remember that stock prices can fall down… and stay down for a long, long time. If you have a sell limit order in place while the stock is slumping, it won't get triggered.

As your position continues to lose value, you may wish to modify or cancel your limit order — maybe even change it to a market order to prevent more losses.

Your broker may have some other types of orders you can place as well.

Stop Losing Money

If your stock is showing profits, you'll probably feel pretty happy — until the worry sets in.

Stock prices can go down, too… meaning there's a chance your profit will disappear.

But some brokers let you set sell orders that can put your mind at ease.

A sell stop order triggers when a stock falls to a price you specify.

Let's say you bought Apple stock for $155, and your shares now trade for $165.

You could set a GTC sell stop order at a price of $160. It would sit in your broker's system until Apple shares drop to $160… at which point your broker will automatically sell the number of shares you specified.

The move netted you a profit… and you didn't have to lift a finger.

Your broker may also offer a more sophisticated type of order called a trailing stop order.

Its price changes as the stock's price goes higher, giving you a chance to protect even more of your gains.

Trailing Stops in Action

Let's say Apple stock is selling for $155. Depending on your broker, you could have a choice to set a trailing stop sell order.

You just have to specify how far you're willing to see the stock fall before you sell — either as a percentage or fixed dollar amount.

Setting a 10% trailing stop means the order will trigger when the stock falls 10%, or $139.50 in this example.

With a $10 trailing stop, Apple would have to fall to $145 before your broker takes action.

If Apple shares rise in price, the trailing stop rises with it. At $160, your 10% trailing stop order now triggers at $144. The $10 trailing stop triggers at $150.

But the trailing stop only increases, never decreases. If Apple goes to $160, then falls to $157, your order will still trigger at $144 for the 10% stop and at $150 for the $10.

(Not every broker offers trailing stop orders. If you see an option to set a stop-limit order, know that it's not the same as a trailing stop.)

Whatever type of sell order you use, once it's filled, you're out of the position.

After a Successful Sale

When your sell order is triggered, your shares will be removed from your portfolio. Then the proceeds from the sale will be deposited into your account.

Obviously you no longer have any claim to the shares… so you won't have any say in shareholder decisions.

And in all but the worst case, you will receive cash from the sale. It might be less than you started with. Or it could be a nice profit.

Either way, that cash is now yours. You can transfer it to your bank account… or use it to buy more shares of stock.

Once you have the stock market basics down, you open up an entirely new world of investment possibilities.

For example, there are exchange-traded funds (ETFs).

A New World of Investment Possibilities

Each share of an ETF represents an ownership stake in a pool of assets, such as stock shares… bonds… precious metals… real estate… commodities… and more.

So buying shares is like buying several investments with a single low-cost transaction.

As the value of the assets increases, so will the share price of the ETF — though keep in mind the value can fall, too.

Either way, you can sell your ETFs shares whenever you want, either for a loss or profit.

Your brokerage account also gives you access to special purpose acquisition companies (SPACs). These companies only exist to merge with promising private companies.

Many innovative companies partner with SPACs to bypass the usual process of getting listed on the stock exchanges. The move essentially gives you a way to invest in them at their earliest stages.

Or you can look to stock options — tradable contracts that can help you turn small stock moves into giant profits…

Many people have an irrational fear of stock options. But I oversee several services that successfully deliver profitable options recommendations.

My point is, you're now on the cusp of financial freedom.

Your Next Steps

Armed with the information I've just shared, you're ready to invest in pioneers in artificial intelligence… and any other red-hot Wall Street trend that comes this way.

More importantly, I hope this report gives you the courage to learn more about specific companies on your own.

The more you invest, the faster you could build your wealth — giving you the means to live the life of your dreams!

My team and I will be in touch soon.

Sincerely,

James Altucher
Editor, *Altucher's Investment Network*