START INVESTING TODAY:

How to Buy Your First Stock and Start Building Real Wealth in 24 Hours

MONEY MORNING
WE MAKE INVESTING PROFITABLE

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Introduction:

You're on Your Way to Financial Independence

Dear Reader,

Until now, any money you've had has been sitting, stagnant, not helping you. Probably just causing you more stress because you know you could be doing something, *anything*, to grow it.

But you've just made the first move to turn it into a thriving resource that – properly harnessed – can give you everything you need.

Now you'll be growing your money every day.

It doesn't matter if you've never bought a stock before. On every single page of this book, you'll find *actionable* advice and strategies written for beginners. You'll find a clear plan on how you can grow your money safely and consistently.

Despite what you may have been told or what you've experienced, successful investing doesn't have to be complicated. You *can* beat the market, and it's easier than you may think. We'll show you.

By the time you finish, you'll not only know how to open an account and buy stocks that are right for you, but you'll also be equipped with the greatest investing secrets most "experts" save for themselves.

Following the steps in this book means you'll never have to settle for "just getting by." Now, you'll make your money work for you – which means there's no limit to how much you can make.

Whether you're trying to fortify your retirement nest egg, increase your income, or just live your wealthiest life, this book is perfect for you. It's one of the few reliable, independent resources online that can help make your investing *truly* profitable.

Never again will you feel uncertain about your financial future.

To profitable investing,

The *Money Morning* Team

Chapter 1:

It's Not Too Late to Start Investing

If you haven't put your money in the stock market yet, we've got good news. It's never too late to start investing in stocks.

There are *always* tremendous profit opportunities in the market, no matter the year or the overall market conditions.

Just look at some of the gains our readers have claimed in the last five years…

- **Apple (AAPL)** is up 144%.
- **GW Pharmaceuticals (GWPH)** is up 165%.
- **Microsoft (MSFT)** is up 222%.
- **Adobe Systems (ADBE)** is up 361%.
- **Amazon.com (AMZN)** is up 557%.

Notice that none of these are tiny, speculative stocks that just happened to take off. These are some of the most mainstream, large-cap, high-volume stocks on the market. And they've still doubled, tripled, quadrupled investors' money.

Compare that to savings accounts. The FDIC reports that the average interest rate on savings accounts in 2019 is just 0.09%. At that rate, if you parked a whopping $100,000 in savings, you'd add just $450.81 to that in five years.

But in that same time, Apple stock would have more than doubled your money. Amazon could've returned *six* times your money.

Even if you missed out on these opportunities, there's plenty of money still to be made.

Maybe you already know that. Maybe the reason you haven't bought yet is that you can't stop worrying about all the money you could *lose* in the market.

It's true; stocks can be riskier than bonds, CDs, or savings accounts. Or rather, any *one* stock at any *one* moment can be riskier than fixed-income investments. But over time, stocks can give you the best return for your money. And there are ways to reduce your risk, as we'll show you in this book.

First, take a look at the chart on the next page of the S&P 500, a collection of the 500 largest U.S. companies publicly traded. It's considered the best gauge for the stock market's performance.

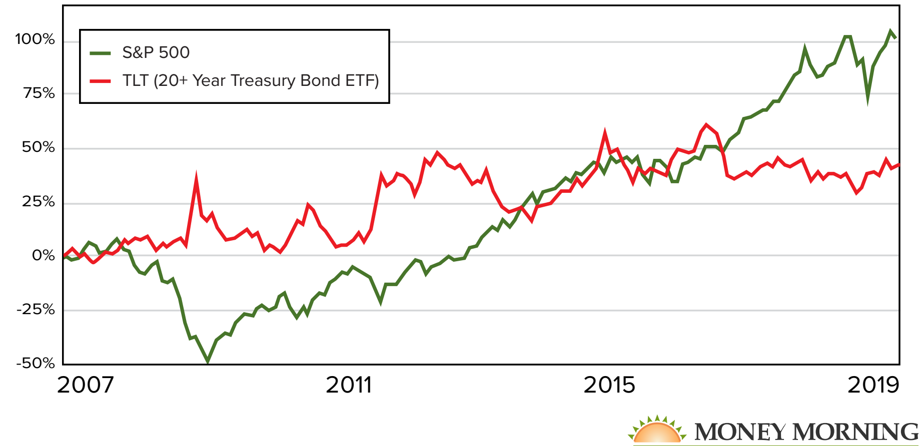
Let's say you bought stocks at the *worst possible time*: early 2007, when the market was on a path to one of the worst financial catastrophes in history. As you can see, stocks were hit hard between September 2007 and March 2009. The index fell more than 55% in those 18 months.

During that time, you would have been better off holding U.S. Treasury bonds, among the most "risk-free" investments available. TLT, an ETF that holds long-term Treasuries, rose 15% in that same time.

But stocks bounced back after the crisis, and they're still climbing. From early 2007 to today, the S&P 500 has doubled – which is more than twice the return you would've gotten from TLT.

S&P 500 vs. 20-Year Treasury Bonds Since 2007

Even if you invested in stocks just before the financial crisis of 2008, you'd still be doing dramatically better than if you had bought so-called "risk-free" bonds like 20-year U.S. Treasury bonds.



And it gets better. We're only measuring share price performance here. That doesn't count the added profits you could have collected from dividends, the portions of earnings many companies pay out to their shareholders every quarter.

When we factor in dividends, the S&P 500 has delivered 165% gains since early 2007 – almost quadruple the performance of 20-year Treasuries.

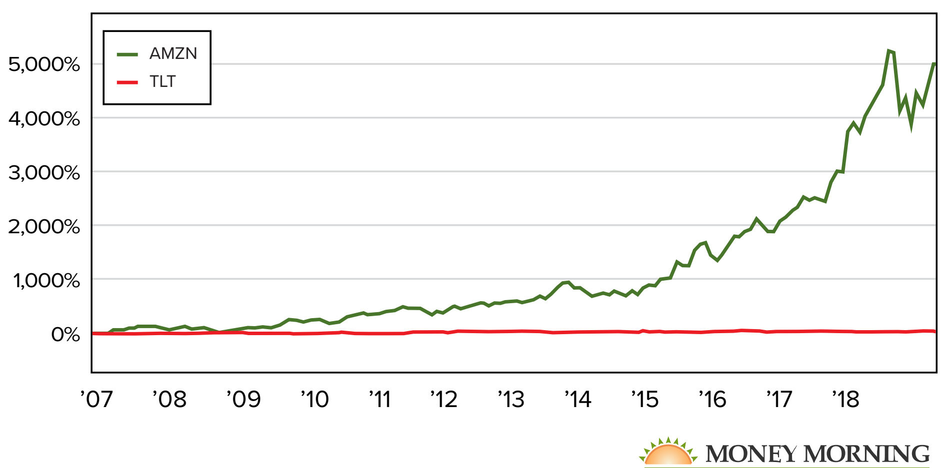
Again, that's if you chose the worst possible moment to buy stocks and only assembled an average-performing portfolio.

But let's say you went with a more volatile stock. Here's one that's been roughly 75% *more* volatile than the overall market in recent years:

Yep, that volatile stock is Amazon. It's returned over 5,000% since early 2007, compared to 42.5% for 20-year Treasuries.

AMZN vs. 20-Year Treasury Bonds Since 2007

Statistically speaking, Amazon is about 75% more "volatile" than an average stock. But over time, its upswings and downswings smooth out to a consistent, upward rise.



You can see that Amazon's share price has gone up and down quite a lot in recent years. But over a longer time period, the price swings don't tell the whole story of how the stock performs.

When you zoom out, you can barely see the crash of 2007-08 at the far left of the chart. It's a minor blip compared to Amazon's overall rise, just as the more recent downturn will likely be a few years from now.

The key takeaway here is this: Stocks can be *volatile*. But that doesn't mean they're *risky*.

That isn't to say that stocks have *no* risk. But neither does any other investment. If you're holding onto fixed-income investments, or a savings account, for example, those are still subject to…

- Credit risk: The institution doesn't pay you back.
- Interest rate risk: Interest rates rise, and you're locked into a lower rate.
- Inflation risk: The dollars you get back are less valuable than the dollars you invested.

Maybe you're not worried about credit risk or rising interest rates. But inflation can eat away a sizeable chunk of your fixed-income returns.

Going back to our charts comparing stock gains with TLT, bear in mind that the U.S. dollar has lost 22.6% of its buying power since early 2007. That means *more than half* of TLT's 42.5% gains have been canceled out by inflation.

Compare that to the S&P 500, which has delivered *real* gains (after inflation) of more than 140%. And Amazon has delivered real gains of more than 4,990%.

So to get the most out of your investing dollars, buy stocks.

Maybe you're still hesitant because you don't know where to begin. That's what we're here for.

We're going to walk you through everything from how to set up your brokerage account and start executing trades to how to pick the "right" stocks to buy.

Because you don't want just average returns. Of course, 160% over 12 years is much better than what you would've yielded from a savings account. But unless you started out rich, it's not going to be enough to give you the retirement you might dream of.

You want to know how to find the Amazons, the Microsofts, and the Apples out there. For that, you need to know what the major growth trends around the world are going to be over the next decade and beyond. You need to know what good management and a strong corporate balance sheet look like. And you need to know how to tell if a stock is more expensive than it should be or if it's flying under Wall Street's radar.

That's how you get the kind of life-changing gains that Amazon has delivered to its investors in the last 12 years.

We're going to help you find the stocks that will change *your* life. And we'll show you how to actively manage your portfolio to maximize your gains and minimize your risk.

Keep reading, and pretty soon you'll see how possible it is to take control of your financial future.

Chapter 2:

How to Open a Brokerage Account and Start Investing in Under 30 Minutes

Now that you're ready to start investing, the first step you'll take is setting up a brokerage account.

There are dozens of companies that can provide you with brokerage services, so finding the right one to suit your needs may seem daunting.

Don't worry – we've simplified it into three easy steps.

Follow them, and you'll be able to set up your account and begin buying stocks in as fast as 30 minutes.

Broker Selections Made Easy

To get an account set up, there are just three easy steps to take to get started:

Step 1 – Select your broker: You could look them up online, or simply use the criteria we provide below.

Step 2 – Set up your account: You can do this over the phone using the number below or on the broker's site, or just do it all online.

Step 3 – Fund your account: You can simply transfer money from a checking or savings account by providing the account number and routing number.

To help you with broker selections, we've identified firms with the lowest account minimums and commission fees, without compromising on quality customer service. Listed below are the top discount brokers around.

Broker	Contact	Types of Trades	Minimums to Open	Pricing
Robinhood	robinhood.com *Online Only*	Stocks, ETFs, options, cryptocurrencies	None	None
TradeStation	tradestation.com 1.800.328.1982	Stocks, ETFs, options, futures, mutual funds, bonds	$500.00	Stocks: $5.00, options: $5.00 + $0.50 per contract.
Charles Schwab	schwab.com 1.800.435.4000	Mutual funds, ETFs, CDs/money market, domestic and international stocks, bonds, options, futures	$1,000.00	Stocks & ETFs: $4.95 + $5.00-$25.00 service charge. Options: $4.95 + $0.65 per contract + $5.00 service charge.
Fidelity	fidelity.com 1.800.343.3548	Mutual funds, IRAs, stocks, bonds, ETFs, and options	$0, or $4.95 for options	All online U.S. equity trades: $4.95. Options: $4.95 per trade + $0.65 per contract.
TD Ameritrade	tdameritrade.com 1.800.454.9272	Stocks, options, mutual funds, and futures	$0, or $2,000.00 for Margin or option privileges	Stocks and ETFs: $6.95. Options: $6.95 + $0.75/contract.

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Our Favorites

Among our recommended discount brokers, two in particular stand out: TradeStation, a favorite among option traders, and the recently added Robinhood – the first *free* broker we've recommended.

TradeStation has top-notch customer service, a low commission cost, and an easy website to navigate. The seamless experience is especially useful for beginning options investors.

Robinhood, one of very few free brokerage platforms available, is the ideal broker for the cost-minded investor who is comfortable with a computer. The only cost associated with Robinhood is an optional "Robinhood Gold" upgrade, giving you access to premium trading tools and software.

Discount vs. Full-Service Brokers

The brokers we've chosen here are called "discount brokers" because they are less expensive than full-service brokers.

Full-service brokers can sometimes charge hundreds of dollars for their services. They can also charge you an annual percentage of your portfolio – so the more you make, the more you pay.

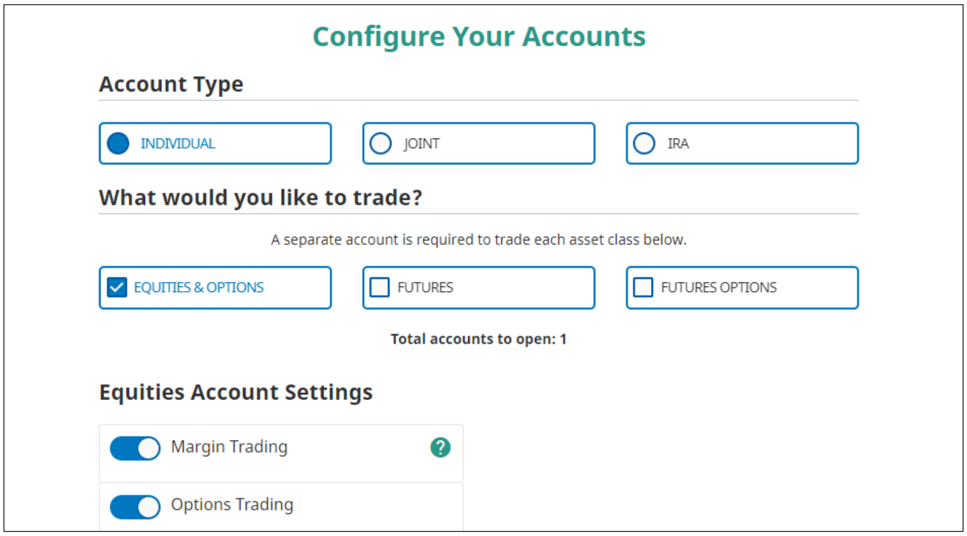
You should use whichever brokerage platform is right for you. The discount brokers listed above might meet your investment needs for a fraction of the full-service cost. If you prefer full service, go that route.

Setting Up Your Account

Most brokers allow you to set up an account over the phone or on their webpage, whichever you're more comfortable with.

You'll be asked to provide personal information – typically your contact information, employment status, annual income, and approximate net worth.

You'll also be asked to select between several account types, as well as what you'd like to trade. You might see a screen like this:



Picture taken from [TradeStation.com]

These prompts will vary from broker to broker, so it's best to contact the brokerage itself with any questions. While we can't advise you on what account to open, individual cash accounts are the most common. You'll want to choose "equities" to buy and sell stocks.

You'll start out with a standard equity account. That will allow you to buy and sell stocks. But as you become more experienced over time, additional account types will be available to you.

Anyone planning to be an active investor/trader will want to eventually request access to as many different trading styles as possible. In most cases, it's best to have options available to you. But just to get started with buying and selling stocks, you don't need to do anything beyond equities at first.

Here's a quick overview of the other accounts you can eventually open:

- **Options trading** is usually the next step for investors. Now, you don't need to open a second account. Instead, your broker will give you access to their options platform. This lets you buy and sell options contracts, which are the rights to buy or sell stock at a certain price by a certain date. You don't have to exercise your options contracts; you can buy and sell them as their own assets. Options trading can be a very profitable addition to your investing portfolio.
- You also may be given the option to open a **margin account**. Margin trading is when an investor borrows money from their broker to purchase stocks. This is only available to investors who have demonstrated to their broker that they can repay any debt they take on. You'll have to provide your broker with more information on your net worth and financial history.
- Finally, you can also eventually open a **futures trading** account. A futures contract is an agreement between you and the broker that allows you to buy or sell an asset at a future date and mutually agreed-upon price. These are mostly used for commodities. Let's say a futures contract for oil (1,000 barrels) is trading at $60 per barrel. If you're bullish and think the price of oil will climb before the contract expires, you will buy the contract and pay whatever fees the broker imposes. If the price of oil climbs to $65, you can sell the contract, and you'll profit $5 per barrel. However, if the price drops to $55, you'll owe that $5 difference to your broker.

Again, these are all "add-ons" you can access at a later date. If you just want to start off by buying and selling stocks, you can stick with the standard equity account and revisit these other accounts later.

Once you've added money to your brokerage account, you're ready to start buying stocks. In the next chapter, you'll learn exactly how to do that.

Chapter 3:

How to Buy and Sell Stocks (a Step-by-Step Guide)

You've set up your account. Now it's time to buy your first stocks (and be ready to sell them).

Once you've figured out what stock you want to buy (and we'll go over suggestions later, in Chapter 6), you need to identify the proper ticker symbol. Usually this is pretty straightforward, but be careful. You want to make sure you're getting the shares you want.

For example, the ticker symbol COKE refers to Coca-Cola Consolidated Inc., which is the *bottling* company for Coca-Cola. It's not The Coca-Cola Co., the company most investors prefer to buy. That ticker symbol is KO.

And in April 2019, a company named Zoom Video Communications went public with the ticker symbol ZM. But thousands of investors accidentally bought stock in Zoom Technologies, a completely different company with the ticker ZOOM.

In other cases, companies have more than one ticker symbol because their shares have different voting rights.

GOOG and GOOGL are both shares of Alphabet Inc. But the shorter ticker symbol GOOG is for "Class C" shares, which come with no voting rights in the company. You may not care about that, but you should know which kind of shares are best for you.

If you purchase shares that come with voting rights you will be asked to vote on a wide range of issues, (but you don't have to vote). The most common votes are for board elections or corporate policy matters.

HOW SHARE CLASSES WORK

Companies often create different classes of shares with different voting rights. Separate classes are often created so that founders or board members maintain a majority of voting rights on company issues.

In the case of Google, "Class A" shares carry one vote per share. These are held by regular investors.

"Class B" shares are held primarily by the two founders and have 10 votes per share.

"Class C" shares carry no voting rights.

Most individual investors vote by proxy by mailing in their response. You can also relinquish your right to vote to a third party.

One important thing to remember: The number of votes is determined by the number of shares you own. Someone who owns 1 million shares will have a much larger say on the outcome than someone with 10 shares.

Once you know you have the ticker you want, you can log in to your brokerage account and look up a quote for the stock. That will give you some basic information, which typically includes the following:

- **Last Price:** The price per share of the most recent transaction involving that stock. For a high-volume, heavily traded stock that's not moving quickly that day, this will likely be close to the price you pay if you buy shortly after looking up the stock. Most accounts will also show you the day's price range for that stock, and how much the price has moved since the opening bell.

- **Bid and Ask:** The bid is the highest price per share traders are currently willing to pay for that stock, and the ask is the lowest price traders are willing to accept for it. The difference represents the profit for the broker who handles the transaction. For most well-known stocks, the difference is typically a tiny fraction of the share price. When the ask is significantly higher than the bid, it means shares of that stock aren't changing hands easily.

- **Market Cap:** That's the total value of the company, based on its share price multiplied by the number of shares outstanding. Small-cap stocks generally have market caps below $2 billion. Mid caps can be up to $10 billion, and large caps are anything bigger than that. Typically, small-cap stocks have more price volatility than others. They are usually newer companies than the well-established large caps. They are often in a growth phase where their prices can take off quickly, but also drop just as fast.

- **Volume:** This is the number of shares trading hands, presented either as today's total or as average daily volume for a recent time period. The higher the volume, the more people are buying and selling the stock. That will be especially important when it's time for you to sell a stock and need someone to buy it from you. A large-cap stock like Apple has a daily volume of more than 28 million shares. You'll never have trouble getting in and out of a stock with that much volume. But small- and micro-cap stocks' volume is much smaller. They can see averages in the thousands, and some days have no trading volume at all. That can make it extremely difficult to sell your position.

When you're ready, select the "buy" option on your brokerage website.

If you don't already know how many shares you want, just take the amount you want to spend and divide by the share price. You're not likely to get the *exact* price that the stock last sold for. And you have to account for your broker's commission fee (often $5 to $10 per trade).

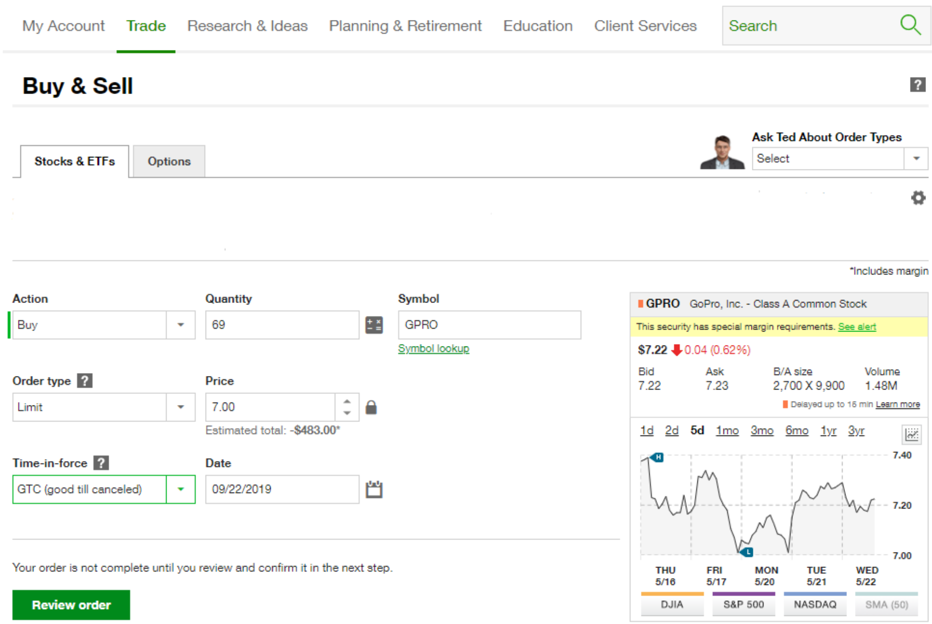
But you have some control over how much you pay by the price/order type you select. Here are some price/order types you might see, depending on the broker you use:

- A **market order** executes the trade at whatever price the shares are selling for at that moment. If you're buying during trading hours and it's a high-volume stock, this should be pretty close to the last price, and somewhere between the current bid and ask price. But keep in mind the market moves fast sometimes – you are not guaranteed to pay the price you see when you hit "buy."

- A **market on close order** will execute the trade at a price that's as close as possible to the price where the stock closes on the day you enter the trade.

- A **limit order** lets you set your own custom ceiling on the share price. You can set the limit anywhere you want. This lets you make sure you don't pay more than you're comfortable with. A limit well above the current price means your trade will almost certainly be executed right away. A limit below the current price won't be executed until the share price drops to that level.

- A **stop on quote order** triggers a trade when the stock reaches a certain price. Once the price hits the price you requested, it turns into a market order to fill.
- A **stop limit on quote order** is also triggered when the stock hits a price you specify, and then it's a limit order to fill only at or below the limit price you request.
- You might also see a selection that involves a **trailing stop**, which we cover in Chapter 4. You can add a trailing stop after you buy the stock.
- You can specify whether your order is a **day order** (it will be canceled if it hasn't been executed at the end of the trading day) or **good till canceled** (exactly what it sounds like).



Review your request to make sure you have the right selections and you won't spend more than you're comfortable with. Hit "place order" or your brokerage site's equivalent - and then congrats, you're a shareholder!

You take the same steps when you're ready to sell a stock. Specify the ticker, how many shares you want to sell, market order or limit order (at a price *lower* than where the stock is currently trading), and day order or good till canceled (GTC).

If this seems complicated, you can always opt for a traditional broker, who can place these orders for you (for a fee). But you'll probably see that it's easier than it looks once you get going on your own.

And if you're feeling confused about how limit orders work, don't worry. We've got you covered. We'll go deeper into limit orders and more advanced aspects of buying and selling (which are still easy to set up!) in the next chapter.

Chapter 4:

How to Maximize Returns on Every Single Stock You Buy with Three Simple Tools

Now that you're ready to start buying stocks, we have three simple but essential tools that will help you maximize every single investing dollar. They'll also protect your money if the markets dip.

With these three tools, you'll be just as confident investing as any "professional" on Wall Street.

How to Use Stop & Limit Orders

There are only three basic order types: market, limit, and stop orders. Every other order type is an extension of these basic three.

A **market order** is the simplest. It instructs the broker to execute the trade right now, at the best possible price. Keep in mind that a market order does not have a price limit, so if the share price drastically changes between the time you request the trade and when it's executed, you could pay more than you wanted.

Market orders are best used for large-cap stocks with very high volumes, like Apple. You can usually get in or out of your investment instantaneously with a market order. These orders are not recommended for stocks with low volume.

Thinly traded stocks can have large discrepancies between the bid and ask price. So not only will it take longer for your order to go through, but you may end up paying a very different price than when you placed the order.

Because of those issues with market orders, stop and limit orders can be extremely helpful.

A **limit orde**r is intended to help you get more upside and allows you to buy/sell at a specific price or better.

And think of a **stop order** as a tool to help limit your losses if prices start moving against you.

You can use limit orders when you are buying or selling. With a **buy limit order**, you indicate a specific price that's the highest you are willing to pay for those shares. Typically, you set the limit order at a price below the current market price, so you get to buy the shares when the stock pulls back.

A limit order is perfect to use when you're bullish on the stock long term, but you want to pay a lower price than where it is trading. If the specified price cannot be reached, the order won't be filled.

Here's a perfect example: Let's say you want to buy XYZ stock because you think the stock is going up over the long term. XYZ currently trades for $130 per share. But you believe that at $130 per share, XYZ stock is overvalued. You think it's a good buy at $125 or lower. You would then place a *buy limit order at* $125 on XYZ. If/when the stock reaches the limit price, the order becomes a market order and is filled at $125 or below.

A **sell limit order** is a great way to maximize profit taking. It tells the broker to sell shares at a designated price or better. This is good for when you would like to sell your shares, but only at a specific price or higher. The limit price is the minimum price you are willing to accept in order to sell your shares.

Sell limit orders are such valuable tools because they allow you to lock in profits. If a stock jumps quickly, this tool will automatically sell your shares at a profit for you. This way, you don't have to check in on your stocks every 10 minutes to make sure you aren't missing a good time to sell.

Just as with a limit order, a stop order can also be used when you are buying or selling.

A **buy stop order**, just like the limit order, tells the broker to execute the trade at a specified price that's different from the current market price.

In this case, the buyer places a stop above the current price. It's good to use when you're bullish on the stock, but you want to see it start to rise before you actually buy.

Now, if this seems counterintuitive, it is. After all, why would any buyer take a higher price over a lower one?

The answer is momentum.

With a buy stop order, an investor is taking advantage of expected upward momentum in the stock and wants to be first in line once the price momentum is confirmed. By the time other investors are logging in to their accounts, you are already riding the upward trend!

Here's an example: Let's say XYZ stock currently trades for $130, and you like the stock, but you want to see it move higher before you really believe it'll keep going.

You place a buy stop order at a price higher than $130, maybe $135. Once XYZ stock reaches $135, the buy stop order becomes a market order, and your request is filled at the next best price.

The last basic order type is a **sell stop order**, also known as sell stop-loss order.

The sell stop order is intended to protect you from steeper losses if the stock falls. It's placed below the current market price.

By placing a sell stop order on the shares you own, you are telling your broker to sell a stock below the current price. Once the stock trades at or below the price you specified, it becomes a market order to sell.

For example: If you buy XYZ stock at $50 per share and set a sell stop order at $45, you will be sure to get out of the stock if it falls to $45. Or you may have bought the stock at $50, enjoyed its climb to $70, and want to make sure you keep some of those gains, so you set a stop order for $60, just in case it starts to go back down.

What you don't want to do is set a sell stop order too close to where the stock is currently trading when you're just buying it. Any stock can dip a few dollars in price and then bounce right back up and never look back.

A good rule of thumb is to set a sell stop order between 10% and 15% from your purchase price. This way, you will avoid losing the majority of your investment if the stock drops unexpectedly. But you also won't get stopped out of the stock if it drops just a few percent either.

Now that we've gone through market, limit, and stop orders, here's a cheat sheet to use when you use these invaluable tools for the first time.

MARKET ORDER, or *"Get my order done now."*

- ***Definition:*** An order to buy or sell a stock at the best available price that is generally executed immediately.
- ***Goal:*** You want to buy more shares or sell your shares ASAP.
- ***What happens:*** Order will be executed immediately as long as the market is open, regardless of price.
- ***Risk:*** Your price is never guaranteed.

BUY LIMIT, or *"Buy more at this price or below."*

- ***Definition:*** An order to buy a stock at a specific price or better.
- ***Goal:*** You want to buy more shares, but pay less than the current market price.
- ***What happens:*** Your order will be executed immediately if the ask price equals limit price or is lower than limit price.
- ***Risk:*** Market price may never reach your limit price.

SELL LIMIT, or *"Sell, but only at this price or higher."*

- ***Definition:*** An order to sell a stock at a specific price or better.
- ***Goal:*** You want to sell your shares to realize a profit if the price is right.
- ***What happens:*** Your order will be executed immediately if the bid price equals limit price or higher.
- ***Risk:*** Market price may never reach your limit price.

BUY STOP, or *"Buy, but only if it gets this high."*

- ***Definition:*** An order to buy a stock once the price reaches a specified price (Stop Price).
- ***Purpose:*** You want to be in the stock only if the price is higher than current price.
- ***What happens:*** If the market price reaches your stop price, the order will be executed at the next available price.

SELL STOP, or *"Sell, but only if it gets this low."*

- ***Definition:*** Also known as a stop-loss order, this is an order to sell a stock once the price of the stock reaches a specified price, known as the stop price. Stop orders are used to limit loss or protect profit.
- ***Purpose:*** You want to limit a potential loss if the stock price drops.
- ***What happens:*** If the bid price reaches your stop price, it will be executed at next available price.
- ***Risk:*** You could end up selling for a much lower price than your stop price.

When You Combine Stop and Limit Orders, You'll Never Worry About Your Stocks Again

Stop and limit orders are powerful risk management tools. But you can have even more control over what you pay for stocks when you combine the two.

Keep in mind that a stop limit order requires two prices, both a stop price and a limit price. Together, they make a range above or below a stock's current market price.

A **buy stop limit order** is the same as a buy stop order; the only difference is the addition of a limit price, which caps the purchase price. It has two advantages:

a) It allows you to buy shares before they move up too far from where they currently trade, so you don't miss out on too much profit.

b) It lets you define the price you are willing to pay.

By giving your broker a stop price and a limit price, you not only control the maximum price you are willing to pay (the limit price), but also control when your trade is filled (the stop price).

<u>**Here's an example:**</u> XYZ stock is trading at $130 per share, and you would like to buy it once it shows signs of upward momentum. But you don't want to pay too much more than its current price. You set a stop price of $135 and a limit price of $140, for example, so you won't pay more than $140 per share.

If the stock price moves above $135, the stop order turns into a limit order. The order will only be filled if the stock is below the limit price, in this case $140.

A **sell stop limit order** tells the broker to sell a stock given certain price parameters. As with the buy stop limit order, the sell stop limit order gives you control over the price at which the stock is sold and the minimum price you are willing to accept.

The investor using a sell stop limit order benefits from a limit on the maximum possible loss, without setting a limit on the maximum possible gain.

Once the stop price is hit, the stop order becomes a limit order and instructs the broker to sell the security at the limit price or higher.

With a sell stop limit order, an investor is placing a floor on the lowest acceptable selling price if a condition is met.

<u>**Here's an example:**</u> You own shares of XYZ stock, which currently trades at $130. You bought it for $100 and you want to sell if it starts falling, so you can keep most of your gains. You would place a sell stop limit order below the current trading price, so maybe $125. You would also set the lowest price you are willing to accept for a sale. In this case, the limit is $122.

If XYZ stock drops to $125, the sell stop limit order becomes a limit order. Your order would be filled at the next best available price as long as the stock still trades above your specified limit price of $122. If it keeps falling past $122 before your order is executed, the order will expire.

Below is your cheat sheet to use for stop limit orders.

BUY STOP LIMIT, or ***"Buy if the price reaches this point, but only up to my limit price or lower."***

- ***Definition:*** An order that combines the features of a stop and limit order. Once the stop price is reached, a stop limit order becomes a limit order that will be executed at a specified price (or better).
- ***Purpose:*** You would like to take advantage of the momentum in the stock but are willing to pay only a certain amount or lower.
- ***What Happens:*** Once the market price reaches your stop price, the order becomes a limit order and it will execute immediately if the price equals your limit order or lower.
- ***Risk:*** Your order may never get filled if the stock price rises rapidly.

SELL STOP LIMIT, or ***"Sell if the price reaches this point, but only up to my limit price."***

- ***Definition:*** A stop limit order combines the features of a stop and limit order. Once the stop price is reached, a stop limit order becomes a limit order that will be executed at a specified price (or better).
- ***Purpose:*** You want to limit a potential loss, but only if you sell at a particular price.
- ***What happens:*** If the bid price reaches your stop price, your order will become a limit order, and it will execute immediately if the price equals your limit order or higher.
- ***Risk:*** Your order may never execute if the stock price drops rapidly.

When You Combine Stop and Limit Orders, You'll Never Worry About Your Stocks Again

Stop and limit orders are powerful risk management tools. But you can have even more control over what you pay for stocks when you combine the two.

Keep in mind that a stop limit order requires two prices, both a stop price and a limit price. Together, they make a range above or below a stock's current market price.

A **buy stop limit order** is the same as a buy stop order; the only difference is the addition of a limit price, which caps the purchase price. It has two advantages:

a) It allows you to buy shares before they move up too far from where they currently trade, so you don't miss out on too much profit.

b) It lets you define the price you are willing to pay.

By giving your broker a stop price and a limit price, you not only control the maximum price you are willing to pay (the limit price), but also control when your trade is filled (the stop price).

Here's an example: XYZ stock is trading at $130 per share, and you would like to buy it once it shows signs of upward momentum. But you don't want to pay too much more than its current price. You set a stop price of $135 and a limit price of $140, for example, so you won't pay more than $140 per share.

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- ***What Happens:*** Once the market price reaches your stop price, the order becomes a limit order and it will execute immediately if the price equals your limit order or lower.
- ***Risk:*** Your order may never get filled if the stock price rises rapidly.

SELL STOP LIMIT, or ***"Sell if the price reaches this point, but only up to my limit price."***

- ***Definition:*** A stop limit order combines the features of a stop and limit order. Once the stop price is reached, a stop limit order becomes a limit order that will be executed at a specified price (or better).
- ***Purpose:*** You want to limit a potential loss, but only if you sell at a particular price.
- ***What happens:*** If the bid price reaches your stop price, your order will become a limit order, and it will execute immediately if the price equals your limit order or higher.
- ***Risk:*** Your order may never execute if the stock price drops rapidly.

Trailing Orders: The Best Way to Protect Your Money

Some people avoid investing because they are afraid of losing money. But the tools we're going over now will help you keep more of your gains and limit any losses. And this next one acts as a "backup" that protects your money if a stock starts to drop quickly.

Trailing orders are set to move with the share price. They'll go up as a share price rises, so you keep more of your gains.

And there is one particular reason why trailing orders - trailing stops in particular - are such a great tool.

Trailing stops take emotion out of investing, which is key to making money – and something many investors fail to do.

Numerous studies in behavioral finance have shown that people have trouble cutting their losses. It seems we stay optimistic even as our returns approach zero, and we hang on to losing stocks for too long. Setting a trailing stop when you buy a stock, or shortly after you buy, prevents you from falling into this behavioral trap.

When you're buying stocks, you can use trailing orders in one of two ways. You can set a trailing stop or a trailing stop limit order.

A **trailing stop order** is similar to a stop order. The only difference is that the trigger price in a stop order stays the same, while the trigger price in a trailing stop order changes as the stock's price changes.

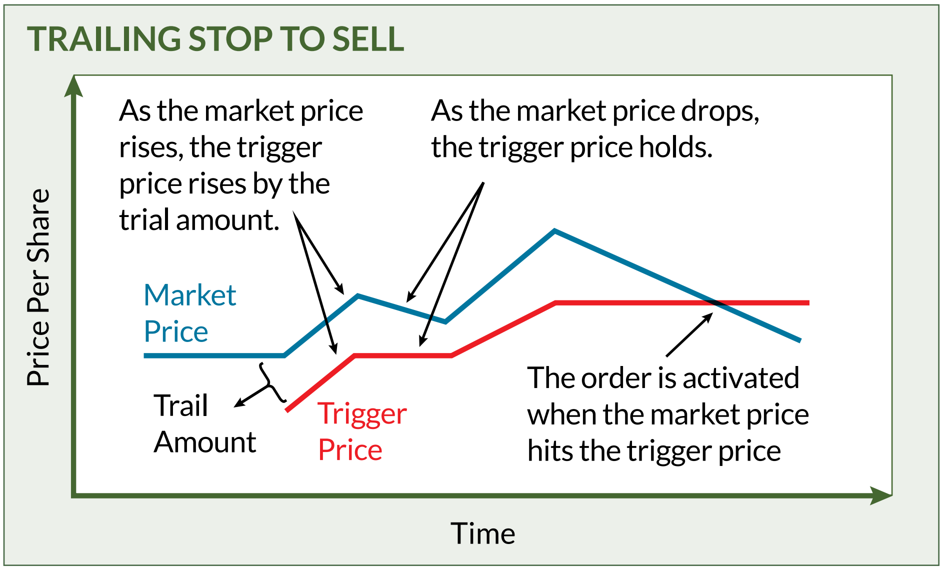
When you're selling a stock, you can place a trailing stop to sell **order** below the market price so you can get out of the stock if the stop price is reached. The stop price will rise as the market price increases, but will remain unchanged as the market price drops.

The stop order becomes a market order once the **market price** hits the stop/**trigger price**.

The benefit of this type of order is it lets an investor set a limit on the maximum possible loss, without setting a limit on the maximum possible gain.

<u>Here's an example:</u> You own ABC stock, which currently trades for $10. By placing a $3 trailing stop, you are effectively capping your losses. If the stock drops to $7, your order will be filled.

However, if the stock increases before it drops, the stop price will be reset higher, so it remains $3 below where the stock is trading. If the stock increases to $15, the stop order is now $12.



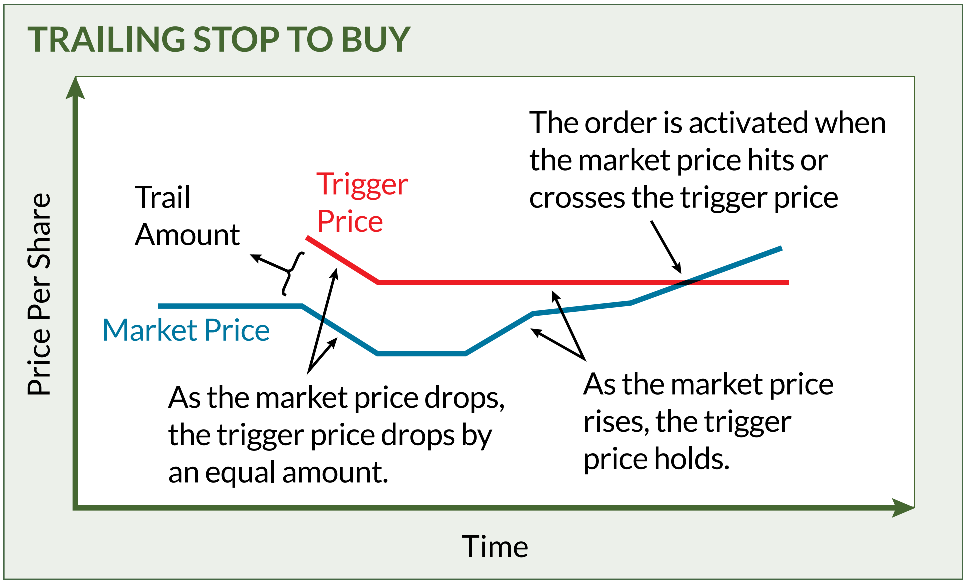
Trailing stops can be set as dollar or percentage amounts. The key is to set the level amount at a level that is neither too tight nor too wide. If the level amount is too close to the current price, the chances of being stopped out of the trade too early increase. If the stop level is set too wide, you will lose too much of your gain. At ***Money Morning***, we typically use about 10-15% trailing stops, although there are exceptions.

A **trailing stop to buy order** sets the trigger price above the market price by a specific trail amount. The order is activated when the **market price** hits the **trigger price**.

As the market price decreases, the stop (trigger) price also decreases. However, once the market price starts climbing again, the trigger price holds firm. (See the picture to the right.)

Once the market price hits the stop price, the order converts into a market order to buy at the best available price.

<u>Here's an example:</u> You have your eye on a stock that trades at $20, but over the last month, it has dropped to $10. You love the company and think it's a great stock for the long term, but you don't want to buy in while it's falling - you want to buy after you feel it has leveled off. You feel like a $3 gain in share price is a sign that the stock is done falling so much. So you set a trailing stop to buy order of $3.



The order will be executed any time the security gains $3 over the lowest market value. If the stock rebounds immediately, the order would go through at $13. If the stock keeps falling all the way down to $5, the order will go through when it rebounds to $8.

This ensures that you never have to "time" buying or selling a stock again. Forget watching the ticker all day, too. The trailing stop to buy order will do the work for you.

The second type of trailing order is a trailing stop limit order.

A trailing stop limit order works the same way as a trailing stop order, but when the designated price is reached, a limit order – not a market order – is triggered.

Adding the limit price lets you indicate the lowest price you are willing to accept when selling, after the price has already dropped by a specified trailing amount.

A seller is saying, "If the bid price falls to my trigger price, I want to sell, but I only want to sell if I can get this limit price or higher."

<u>Here's an example:</u> You currently own ABC stock, which trades for $100. You are starting to lose confidence in its long-term prospects, but you aren't ready to sell. In order to limit your losses if ABC does fall, you instruct your broker with the following: Trailing Amount = $20 and Limit Offset = $5. The Limit Offset tells the broker how much less than the stop price you are willing to sell for.

As the market price increases, the stop price and limit price will increase by that predetermined amount. However, the stop price will remain unchanged as the market price decreases.

Let's say the price drops to $80. The stop order will become a limit order, instructing the broker to sell at $75 or higher.

On the other side, you have trailing stop limit orders to buy. However, these are normally only used as a hedge for investors shorting a stock.

As the market price increases, and ultimately hits the stop price, the order becomes a limit order to buy at the limit price, which is set higher than the stop price. The limit price is based on the predetermined limit offset amount, telling the broker the highest price at which the investor is willing to buy.

With a trailing stop limit order to buy, an investor wants to buy at a higher price, but only up to a certain point, or the limit price. That gives them higher upside when they short the stock.

Here's our third and final cheat sheet.

TRAILING STOP TO SELL, or ***"Sell at a specific range below the current market price, but maintain that range if the price goes higher."***

- ***Definition:*** A trailing stop order is an order that can be set at a defined percentage away from the current price and is more flexible than a fixed stop loss.
- ***Purpose:*** You want to protect your profit with a stop order, but if the price continues to rise, you want to maintain your position and increase your stop price accordingly. It is designed to protect gains by keeping the trade open and continuing to profit as long as the price is moving in the right direction.
- ***What happens:*** If the price rises, the stop price will rise as well. But, importantly, if the price drops, the stop price will stay the same. If your stop price reaches your bid price, your order will become a market order and execute immediately.
- ***Risk:*** If the price drops rapidly, you could be selling for a much lower price than your stop price.

TRAILING STOP TO BUY, or ***"Buy at a specific range above the current market price, but maintain the range if the price goes lower."***

- ***Definition:*** An order that can be set at a defined amount away from current price and is more flexible than a fixed stop order.
- ***Purpose:*** To allow investors to buy at the right time, i.e. when the stock ahs fallen and behins to rise.
- ***What happens:*** The stop price is set above the market price by a specific trail amount and the order is activated when the market price hits the trigger price. As the market price decreases, the stop price is lowered, but does not increase the stop price as the market price increases.
- ***Risk:*** The order may never get filled.

TRAILING STOP LIMIT TO BUY, or *"**Buy if it reaches this price, but only up to this point or lower.**"*

- ***Definition:*** An order that combines the benefits of a stop and limit order while the stop price trails the market price.
- ***Purpose:*** You would like to take advantage of the momentum in the stock but are willing to pay only a certain amount up to the limit price or lower.
- ***What happens:*** If the price declines, the stop price will decline with it. If the price increases, the stop price will stay the same. If the bid price reaches your stop price, your order will become a limit order.
- ***Risk:*** The order may never get filled.

TRAILING STOP LIMIT TO SELL, or ***"If the bid price falls to the trigger price, I want to sell, but only if I can get this limit price or higher."***

- ***Definition:*** Designed to allow an investor to specify a limit on the max possible loss, without setting a limit on the max possible gain.
- ***Purpose:*** You want to protect your profit. If the price dips, you want to sell, but only if you can get a particular price or higher.
- ***What happens:*** If the price rises, the stop price will rise with it. If the price dips, the stop price will stay the same. If the bid price reaches your stop price, your order will become a limit order.
- ***Risk:*** Your limit order may never execute if the market price is worse than the limit price.

The Last Step: Mastering Conditional Orders

There are just a few more orders to consider - **conditional orders**. They're easy to learn, and they can all be grouped together because they are all very similar.

Conditional orders work alongside the market, limit, and stop orders we just laid out.

These orders account for issues like trading volume and how long you'd like the order to be active. They provide a bit more specific guidance and instruction to your brokerage.

Here's a cheat sheet with each and every one.

DAY ORDER: Expires automatically after the market closes and does not carry over to the next day. A day order is normally set as a default order.

GOOD TILL CANCELLED (GTC): Remains valid until manually cancelled or filled. Does not automatically expire at the end of the day but brokerage houses do normally limit the time to 90 days.

GOOD TILL DATE/TIME (GTD): Remains valid until the close of the market on the date specified, or until filled.

FILL OR KILL (FOK): Does not allow for partial execution and instructs the broker to either buy or sell entirely in one transaction at the limit price or better.

IMMEDIATE OR CANCEL (IOC): Unlike FOK, IOC allows for partial filling, meaning that the unfilled portion will be cancelled. The filled portion must be filled immediately at the limit price or better.

ALL OR NONE (AON): Instructs the broker to either buy or sell entirely at once at the limit price or better, or do not fill at all. The only difference is that an AON order will not be cancelled if it cannot be filled immediately but may be used in conjunction with a day order or a GTC order.

Now that you're equipped with these tools, it's time to start picking the stocks you will be adding to your portfolio.

Chapter 5:

How to Build a Bulletproof Portfolio with the 50-40-10 Strategy

The single most important investing tool you'll learn today is the 50-40-10 strategy. It's the perfect place to start when you move from buying your first stock to building a portfolio.

It's not fancy. In fact, it's elegant in its simplicity.

And it doesn't matter whether you have a few thousand dollars to invest or a few million; you can make it work for your money either way. The principles don't change.

The 50-40-10 strategy groups investments into three risk-adjusted tiers. They correspond loosely to the layers in the "food pyramid" we all grew up with:

1. The bottom layer – the 50 – is chock-full of stuff that seems boring but is actually very good for you.
2. The middle layer – the 40 – includes stuff that tastes good, helps you grow, and makes you want seconds.
3. The top layer – the 10 – is the beer and chips, or the chocolate mousse, depending on your palate. It's the higher-risk stuff that can easily make you fat if you eat too much. But used in the right way, it can juice your portfolio to amazing heights.

We deliberately use a pyramid to organize these holdings. The visual representation helps the brain organize abstract concepts.

The pyramid also shows how *simple* this investing approach is. One quick look is all you need to understand that a specific kind of investment will be the "base" of your portfolio, while a smaller proportion is given to those at the top. Visually, you understand that the higher you go "up" the pyramid, the more limited your choices become.

Even better, the pyramid helps with investment discipline, something many investors always struggle with. It forces you to make healthier choices – the "boring" but stable over the exciting but risky pick. You don't get the chance to pile on everything from chips to sodas in a gluttonous feast – one that feels good at the time, but one you always end up regretting.

It's critical to mention this because many investors wind up with far too many speculative choices on their investment plate. They get caught up in emotional investing that can wreak havoc with their serious money – money meant for the long term.

Not surprisingly, that's when investors who think they're "investing" find out the hard way that they're blindly speculating.

Unfortunately, they find this out by getting slammed around when the markets turn foul. That's primarily because their risk is disproportionately concentrated, even though their broker may convince them that their "diversified" portfolio is somehow "safer."

So let's look at the types of investments making up each pyramid layer, so you can get started.

What's in the 50-40-10?

Each layer of stocks has a name and a clear purpose in your portfolio:

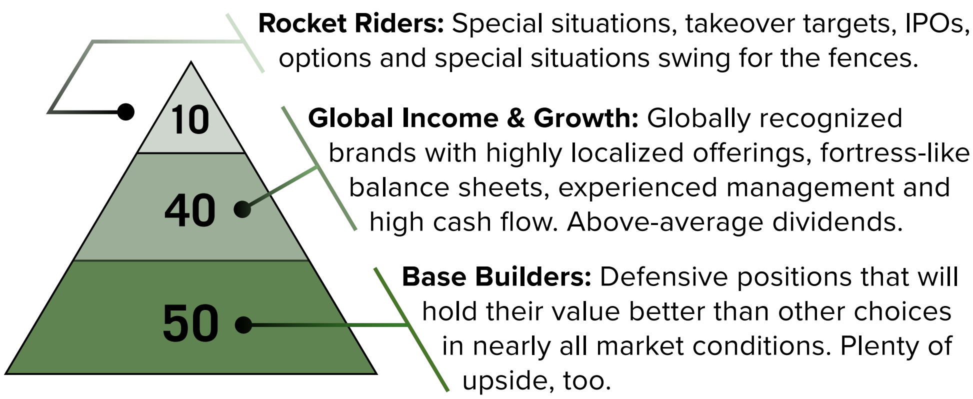
Base Builders – We allocate 50% of our investment capital to assets chosen because of both their stability and their income-producing potential. This provides a safe foundation that will better withstand downturns, while also giving us a solid base from which to pursue growth.

Growth and Income Holdings – 40% of our funds are invested in this category, typically targeting companies with a strong local presence that are also expanding globally – what we like to call "glocal." They provide the potential for capital appreciation, as well as income in the form of above-average dividend yields.

Rocket Riders – At this higher-risk level, we invest up to 10% of our capital in assets that offer greater growth potential based on a catalyst our research has uncovered. Examples may include new patents, contracts, buyouts, spin-offs, etc.

The 50-40-10 Portfolio

Setting your portfolio to the 50-40-10 model and periodically rebalancing sets you up for maximum gain and minimum risk.



Source: Fitz-Gerald Research Publications LLC

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With this method, you can weather any type of market condition. Whether the overall market is reacting to a war, crash, meltdown, melt-up, political upheaval, recession, or financial crisis, this investing strategy keeps your portfolio strong.

Reserving 10% to "swing for the fences" might sound small, but it's a healthy exposure to opportunity. By distributing our holdings using the 50-40-10 strategy, we distribute our risk more effectively than traditional diversification models do.

We encourage you to let go of Wall Street's classic approach to diversification, which really just spreads your money around willy-nilly. With that strategy, you are at the mercy of unseen risks.

That's not to mention emotional hang-ups too. They will override what you logically understand about the world and the opportunities being created right now.

Now, that also doesn't mean you should just pick a portfolio, set it, and forget it.

You could rebalance more often – semi-annually or even quarterly – when interest rates are rising. This will help capture more rapid rises in stocks that are usually associated with rising rates. You could rebalance even less frequently when rates are falling to capture the appreciation associated with bond markets.

Or you could effectively harvest gains by using trailing stops or put options to safeguard your capital from catastrophic losses while also grabbing partial profits when the markets are "peakish."

And the easiest way to boost your profit potential is also the simplest: Add money when market conditions are conducive to deep value investments showing plenty of upside.

These are all strategies recommended every day at ***Money Morning***.

And in this next chapter, we'll show you exactly how to find stocks that are being dramatically undervalued by the so called "experts" on Wall Street. With this information, you'll never overpay for a stock again.

Chapter 6:

How to Find Only the Most Valuable Stocks (and Never Pay "Full Price" Again)

Finding the best stocks to buy doesn't need to be hard or time-consuming. You simply need to know what to look for.

This chapter will walk you through the process of what to look for in a stock and how to quickly search for stocks with the potential to grow.

After all, here at ***Money Morning***, we believe *you* control your financial future, and investing in stocks is part of reaching financial independence. The Dow rose 265% from March 2009 through March 2019, and some of the best stocks are up 658%, 1,208%, and even 2,328%.

This chapter will show you how to find winning stocks like those for the *next* 10 years. Just take a look at some of our standout stock recommendations…

- Coca-Cola Consolidated Inc. (NASDAQ: COKE) popped 100% from Oct. 30, 2018, to May 2019. The Dow is up just 6% since then.
- Kratos Defense & Security Solutions Inc. (NASDAQ: KTOS) is up 209% since November 2014. Broader markets are only up 50% in the same time.
- Galapagos NV (NASDAQ: GLPG) skyrocketed over 650% higher since we shared it with readers in April 2012. A Dow ETF would've brought you a mere 104% gains in comparison.

The "secret" to finding these stocks is simple: They're excellent companies trading at value prices that pay off when you hold them over the long term.

And the first step to uncovering them starts by looking at well-managed businesses in industries that aren't going anywhere.

Find Strong Businesses in the Unstoppable Trends

To find these businesses, we look for "must have" companies that serve six "Unstoppable Trends" laid out by our Chief Investment Strategist, Keith Fitz-Gerald. These are:

- Medicine
- Technology
- Demographics
- Scarcity & allocation
- Energy
- War, terrorism, and ugliness (also known as defense)

The Unstoppable Trends are backed by trillions of dollars that Washington cannot derail, the Fed cannot meddle with, and Wall Street cannot hijack. And they will never go out of demand. The world will always need medicine, energy, and defense. Technology is now a fact of life. A growing (and aging) population is a reality, predictably fueling industries from long-term care to medical devices.

Finding the best companies operating in these Unstoppable Trends is a recipe for success.

For example, Becton Dickinson and Co. (NYSE: BDX) taps directly into two Unstoppable Trends: medicine and demographics. Becton Dickinson makes single-use medical supplies for hospitals and long-term care facilities. And as our populations ages – more Americans are entering retirement than ever – long-term care facilities and elder care are in serious demand.

Once the Baby Boomer generation first entered retirement age in 2011, Becton Dickinson stock climbed 175% in the following eight years. That shows you just how powerful these trends are.

Here's another example from the demographics trend. Since 1980, the United States' population has grown by more than 100 million people. Since 1995, its economy has doubled. A rising population combined with a growing economy fuels consumption. And someone has to take care of all the waste that sort of growth creates.

Enter Waste Management Inc. (NYSE: WM).

The company isn't the flashy Silicon Valley outfit dominating the headlines. But the world needs the trash collected. And that's turned Waste Management into a multi-billion-dollar company. In fact, it made nearly $15 billion in sales in 2017 alone.

That rewarded shareholders with over 250% gains between 2011 and 2019.

Similarly, global defense spending adds up to more than $1 trillion a year, and it's not slowing down. It's not pleasant to think about, but security threats are an eternal reality. That's why we call it the trend of war, terrorism, and ugliness.

And that's why the stock of one of the leading global defense firms, Lockheed Martin Corp. (NYSE: LMT), jumped more than 350% between 2010 and 2019, more than doubling the average market return. That's not even factoring in Lockheed's healthy dividend payment.

Now that we know the trends to follow, let's look at how to find the leaders in those industries.

The 4 Most Important Financial Metrics to Follow

So you've found what looks like a great company in an Unstoppable Trend. How do you know if it's actually a good stock to buy?

While there are a seemingly endless number of criteria Wall Street uses to evaluate stocks, we're going to focus on the most important four.

You can find these numbers for free at MoneyMorning.com, Yahoo! Finance, or even through your brokerage account. Once we finish explaining what to look for, we'll show you exactly how to use a stock screener to pull up every single stock that fits these criteria.

The first number to look at is the company's revenue.

Companies losing money are riskier than companies that have shown their business is successful enough to make money. To find out whether the company you're looking at is profitable, look for "Net Income" on the stock's financial sheet. If it's positive, then the company is making more money than it spends, which is a great sign the business is on the right track.

If the company has no net income or if it's negative, then we'll wait for the business to prove it can operate at a profit before we buy.

Second, we want to invest in companies that are *growing* their profits. We don't want to buy a company that couldn't repeat the success of just one good year. We want one that has proven it can be more successful over time.

To see if the company is growing its profits, check for positive earnings per share (EPS) growth over the last five years. That'll rule out any "one-hit wonders" or companies that grew too popular too fast.

The third metric to look for has to do with the price you will pay for the stock.

A great company could be so overpriced it's simply a bad deal to own. Whether you're shopping for a new car, a new tablet, or a new phone plan, you're going to do your research to make sure you're getting the best deal. The same is true for stocks.

But it's not as simple as looking at the share price of a stock. The share price is determined, in part, by how many shares are available on the market. Instead, we want to find a metric to make sure the stock is a good value.

And the price/earnings ratio, also called the P/E ratio, is a great place to start. The P/E ratio is calculated by dividing the price per share of a stock by the earnings per share. This tells us how much each dollar of the company's earnings costs to investors, so the lower the number, the better the value. More importantly, we can compare the value of a company to competing companies, the company's sector, and the overall market.

For example, the P/E ratio for the S&P 500 in May 2019 was 21.59. If the company you're looking at has a P/E ratio of 40, nearly double the broader market, then it might be overpriced. It's a lot like buying a car and paying over sticker price just because you like the color.

But you'll also want to compare the company's P/E ratio to its competitors and to its specific sector. Some industries have higher or lower P/E ratios than others, so you want to make sure you're doing a fair comparison.

For instance, the healthcare industry had an average P/E ratio of 27.3 in 2019. At the same time, the financial industry had an average P/E of 15.3. Make sure you're comparing apples to apples.

Lastly, we're also looking for stocks that are being tracked by analysts on Wall Street.

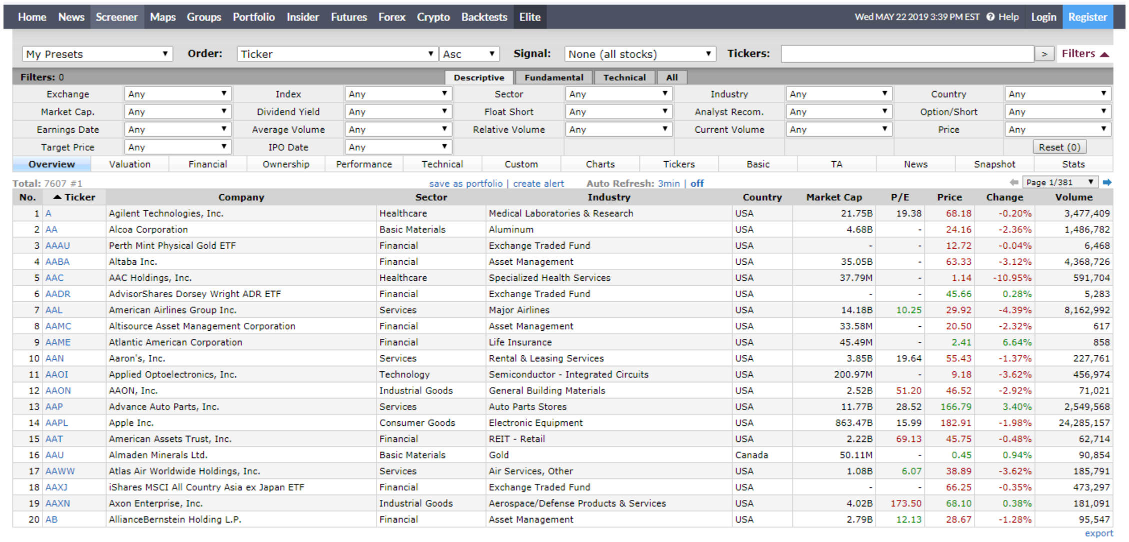
This means the company is big enough to merit attention from investment banks. It's a simple way of weeding out scam companies and ensuring the firms are transparent enough to share their financials with analysts.

This is an alternative to just targeting large-cap companies (those with market caps over $10 billion), because then you'd be missing out on the small- and micro-cap companies. And sometimes those are the ones that make us the most money.

Now that you've got the basics of these criteria, you can use a stock screener to find every stock that meets them.

A stock screener lets you filter through hundreds of stocks based on certain parameters you set, like market cap, share price, sector, P/E ratio… and many, many more. It’s an excellent tool to use when you become more comfortable and familiar with what you’re looking for in a stock. And it can save you a *lot* of time.

There are dozens of free screening tools you can find online. Here’s an example of one you can use for free on finviz.com:



No.	Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
1	A	Agilent Technologies, Inc.	Healthcare	Medical Laboratories & Research	USA	21.75B	19.38	68.18	-0.20%	3,477,409
2	AA	Alcoa Corporation	Basic Materials	Aluminum	USA	4.68B	-	24.16	-2.36%	1,486,782
3	AAAU	Perth Mint Physical Gold ETF	Financial	Exchange Traded Fund	USA	-	-	12.72	-0.04%	6,468
4	AABA	Altaba Inc.	Financial	Asset Management	USA	35.05B	-	63.33	-3.12%	4,368,726
5	AAC	AAC Holdings, Inc.	Healthcare	Specialized Health Services	USA	37.79M	-	1.14	-10.95%	591,704
6	AADR	AdvisorShares Dorsey Wright ADR ETF	Financial	Exchange Traded Fund	USA	-	-	45.66	0.28%	5,283
7	AAL	American Airlines Group Inc.	Services	Major Airlines	USA	14.18B	10.25	29.92	-4.39%	8,162,992
8	AAMC	Altisource Asset Management Corporation	Financial	Asset Management	USA	33.58M	-	20.50	-2.32%	617
9	AAME	Atlantic American Corporation	Financial	Life Insurance	USA	45.49M	-	2.41	6.64%	858
10	AAN	Aaron's, Inc.	Services	Rental & Leasing Services	USA	3.85B	19.64	55.43	-1.37%	227,761
11	AAOI	Applied Optoelectronics, Inc.	Technology	Semiconductor - Integrated Circuits	USA	200.97M	-	9.18	-3.62%	456,974
12	AAON	AAON, Inc.	Industrial Goods	General Building Materials	USA	2.52B	51.20	46.52	-2.92%	71,021
13	AAP	Advance Auto Parts, Inc.	Services	Auto Parts Stores	USA	11.77B	28.52	166.79	3.40%	2,549,568
14	AAPL	Apple Inc.	Consumer Goods	Electronic Equipment	USA	863.47B	15.99	182.91	-1.98%	24,285,157
15	AAT	American Assets Trust, Inc.	Financial	REIT - Retail	USA	2.22B	69.13	45.75	-0.48%	62,714
16	AAU	Almaden Minerals Ltd.	Basic Materials	Gold	Canada	50.11M	-	0.45	0.94%	90,854
17	AAWW	Atlas Air Worldwide Holdings, Inc.	Services	Air Services, Other	USA	1.08B	6.07	38.89	-3.62%	185,791
18	AAXJ	iShares MSCI All Country Asia ex Japan ETF	Financial	Exchange Traded Fund	USA	-	-	66.25	-0.35%	473,297
19	AAXN	Axon Enterprise, Inc.	Industrial Goods	Aerospace/Defense Products & Services	USA	4.02B	173.50	68.10	0.38%	181,091
20	AB	AllianceBernstein Holding L.P.	Financial	Asset Management	USA	2.79B	12.13	28.67	-1.28%	95,547

They’ll all look different, but they’ll all follow the same idea. You can just select the metric you want to use and input the value you want to screen for.

All you have to do is hit the “Run Screen” button, and you’ll see every stock that fits your criteria. You can add even more criteria to your screen to narrow down the field even more.

Of course, finding excellent stocks to buy is something we’ve also simplified for you, so that you just need to look at one number…

The *Money Morning* Stock VQScore™

The ***Money Morning*** Stock VQScore™ – derived from our proprietary valuation system – tells you which stocks are priced to give you the biggest returns on the market.

Here’s how it works: The VQScore tracks the 1,500 most profitable companies on the market every day. Then it takes the most useful valuation strategies available and boils them down into **one simple number**. Knowing that one number will tell you whether to buy, sell, or hold a stock.

Specifically, the VQScore formula *values* a stock’s earnings power and whether EPS is accelerating or decelerating. Then, it compares that to the *momentum* of recent demand for the company’s shares and whether that’s increasing or decreasing.

The higher a stock’s score, the better.

A VQScore of 4.00 or higher puts a stock in the “Buy Zone.” These are the stocks priced to make you money.

In short, the VQScore gives you an edge over Wall Street. You'll find the most valuable stocks with the most profit potential while everyone else follows the herd into more expensive shares with less upside potential.

The VQScore has an astonishing track record. If you bought our top-rated stocks in May 2013, you would have made some serious cash. In May 2013, the VQScore tool identified *48* triple-digit winners, including a staggering 2,573% gainer in TAL Education Group (NYSE: TAL).

You read that right. If you bought TAL in May 2013 when it had our highest VQScore, you'd be up 2,573% today.

In fact, if you know of a hedge fund, Wall Street bank, or even your own financial advisor who matched this record, we'd love to hear about it.

ABIOMED Inc. (NASDAQ: ABMD) is another stock that flashed our highest VQScore in May of 2013, when it traded for just $23.33 a share. In May 2019, ABMD traded for $380.51 a share, a whopping 1,497% gain in six years.

And this is just the VQScore's track record for its top-rated stocks (a score of 4 or better) in May 2013. It's produced *even more* winners since then.

We ran the data from one year ago – May 2017 – and the results were just as impressive.

Solaredge Technologies Inc. (NASDAQ: SEDG) surged 267% over the last year when it held a VQScore of 4. SEDG was just one of *52* double-digit gainers found in our VQScore track record from May 2017 alone.

Again, those are just stocks with our highest scores in May 2017. There are even more double-digit gainers throughout the rest of the year.

We don't know if that's the best track record on Wall Street, but if there's a better one, we can't find it.

Money Morning readers can access the VQScore system for absolutely no charge. You can sign up for free right here.

Chapter 7:

How to Avoid the Most Dangerous Myth in the Markets Today

We've given you a lot of steps to take on your way to investing. Now we're going to cover something to avoid.

One of the most dangerous terms you'll hear when you start building a portfolio is "passive investing." Passive investing is simply matching the market's returns by owning low-cost exchange-traded funds (ETFs).

Investing legends from Jack Bogle to Warren Buffett sing the praises of ETFs and passive investing. You've almost certainly heard one of these expressions:

"You can't beat the market, so just own ETFs instead."

"Investing in ETFs is much safer than buying individual stocks."

"You can't afford to risk your retirement savings on stocks."

But this conventional wisdom isn't just dead wrong; it's actually dangerous. While it's quickly becoming America's preferred investment strategy, it could be a costly mistake.

Passive Investing Isn't Nearly as Safe as You've Been Told

ETFs work like this: They hold a basket of stocks that track the performance of a specific index. You can own ETFs that track the Nasdaq, the Dow, large-cap stocks, mid-cap stocks, or even specific sectors like technology.

They're popular because they're easy to buy (just like a stock), they let you get exposure to multiple stocks with one purchase, and they're low-priced. Since fund managers don't need to do any work besides making sure the ETF's holdings match the index it's tracking, ETFs charge very small fees compared to actively managed funds.

And passive investing with ETFs offers investors average market returns, which as we mentioned earlier, will make you more money than just parking your cash in a savings account.

So for many, matching the returns of the S&P 500 with little cost sounds like a no-brainer. That's why Americans are piling their money into these passive investments. The amount of money in ETFs has ballooned 2,500% since 2000. There are now more than 1,500 ETFs trading on U.S. exchanges thanks to that surging demand. Brokerage firms from Vanguard to TDAmeritrade are even competing for clients by offering free ETF trading.

And we've certainly recommended ETFs before, as part of a bigger investing strategy.

But there is a unique flaw in this type of investment decision, especially when a significant portion of your money is in ETFs.

Too many investors feel that it's "safe" to passively invest. They think they'll come out ahead if they just buy and hold for the long haul.

But it's dangerous for investors to assume that passive investing is somehow safer than traditional portfolio management.

Wall Street has a herd mentality, and there is a collective message being broadcast to the masses that it's going to profitable long-term to buy and hold low-cost index funds. But that's highly contingent on market timing.

In reality, you could lose big, depending on when you enter the market. When the market drops, average market returns can mean big losses, like the 50% plunge the Dow took between 2007 and 2009.

Since June 1999, the Dow has gained less than 200%, despite two bull market runs, including the longest bull market ever.

In reality, over the past two decades, the market has only produced a 4% annual return. That's just not the kind of performance you need to meet your retirement goals.

And it's hardly safe. If you were nearing retirement in 2007, owning ETFs could've added another decade to your work life.

But that hasn't stopped investors from adhering to the ETF gospel. And this has created even bigger problems…

ETFs Are Too Popular for Their Own Good

Since the Great Recession ended in March 2009, the Dow has surged 245%. If you put $10,000 of your retirement savings into the SPDR Dow Jones Industrial Average ETF (NYSE Arca: DIA) in March 2009, you'd be sitting on $34,447 today.

Those are great results. But with the bull market turning nine years old in August 2018, "recency bias" leads investors to forget what it was like when markets weren't soaring.

Remember, the DJIA plunged 50% between 2007 and the recovery in 2009.

Now, ETFs have the potential to make the next crisis even worse.

In order for ETFs to track their respective indexes, they have to buy and sell shares of the stocks in the index. When share prices of a particular stock fall, ETFs have to sell some shares to maintain their balance.

The biggest problem here - and the one we haven't experienced in nearly a decade – is that ETF fund managers will have to find buyers for these stocks when the market falls.

And if no buyers exist for the stocks – which could easily happen for illiquid stocks during a sell-off - the funds' values could crater.

Today, 42% of all U.S. stock fund assets are held in passive funds. That compares to a mere 12% in 2000. So we simply won't know how drastic this effect is until the next bear market.

But it gets even worse for passive investors, and it's the dirty little secret the Jack Bogles of the world would prefer to keep hidden…

Active Investing Will Always Beat Passive Funds

While ETFs will provide you no cover during the next market pullback - and could even make it worse - there's an even more damning problem behind their popularity.

As Howard Marks, the co-founder and chair of Oaktree Capital Management, told his clients, "Active investors do the heavy lifting of security analysis and pricing, and passive investors freeload by holding portfolios determined entirely by the active investors' decisions."

In short, ETFs merely mimic the market, and market prices are set by what active investors are willing to pay for stocks.

And while passive investors have been free-riding on the research and analysis of active investors, the party will quickly coming to an end.

As Marks explains, once the majority of stocks are managed passively, "prices will be freer to diverge from 'fair,' and bargains (and over-pricings) should become more commonplace."

In other words, ETFs can distort the prices of stocks they hold "for reasons other than fundamental ones," according to Marks.

I hope you caught that, because it could ruin your investing portfolio.

If stocks are appreciating to high valuations for *any* reasons "other than fundamental ones," it's a surefire sign of a bad investment.

That means you could be pouring your money into unhealthy, overpriced investments as ETFs distort market prices.

That's why the most successful investors generally don't have payroll deductions set up to go into ETFs. Instead, they wait until market conditions are right and then buy shares in high-quality companies at discount prices. Then, they hold onto those shares for the long term.

It's this type of investing that has allowed Warren Buffett's company, Berkshire Hathaway Inc. (NYSE: BRK.B), to outperform any returns earned by passive investors. Assuming a passive investor entered the market in 1999, they would have barely earned 100% returns over 20 years. Knowing what and when to buy and sell, Buffett was able to give his shareholders *quadruple* returns over that same period.

It is this type of investing that would be the difference between reaching your retirement goals and having to remain in your job for another five years.

And by taking the time to research stocks, you could match these gains on your own.

Chapter 8:

How to Leverage Dividends and Collect "Free" Money

Dividend income and reinvestment can account for nearly 90% of total stock market returns over time.

That's right. Not 25%... not 50%... but 90%.

That's why placing a high priority on dividends is key to creating life-changing wealth in the stock market.

Unfortunately, this goes counter to the inclinations of far too many investors. They spend the bulk of their time chasing "the next hot stock" or searching for the next "sure thing."

No doubt, we all love the elation that goes with being up 25%, 50%, 100%, or more in just days or weeks.

Of course, we look for those gains, too – and we get more than our fair share at ***Money Morning***. Yet when it comes to consistently growing and protecting our money, we focus on getting the cold, hard cash that dividends kick off. Those dividends are a much bigger component of overall investment returns over time.

You see, what most people fail to realize is that successful investing is a matter of continuous performance – NOT instantaneous performance.

Here's where it gets really interesting.

In some cases, the dividends are so steady and increase so much that over time *you can actually make more in dividends than you originally paid to buy the stocks that produced them*.

Two of the founding fathers of modern investing made that abundantly clear in the 1930s.

Benjamin Graham and David Dodd pointed out in their seminal work, Security Analysis (1934), that dividends were the primary contributing factors to long-term total return.

A few years later, John Burr Williams noted in his book, "The Theory of Investment Value," that "a stock is worth the present value of all the dividends ever to be paid upon it, no more, no less."

And as you'll see from the examples below, when you harness the power of dividends throughout your investing career, you'll turn already sizable gains into the type of profits that could have you planning an early retirement…

Dividends: The Most Powerful Tool in Your Arsenal

A dividend is a payment made to investors either quarterly or annually for simply owning a stock. The money comes from a portion of the company's profits. It's an obvious incentive to get investors to buy a company's stock.

There are different types of dividends, and they sometimes come in the form of additional shares.

But the most common type of dividend is a cash payment, and that's what we'll focus on here.

Dividends are typically issued by companies with a long history of profits. For most dividend stocks, investors can buy in and know they'll receive payments for as long as they hold the stock.

When you start investing, you'll often hear the phrase "dividend yield." The yield is the payment expressed as a percentage of the share price.

For instance, if XYZ stock trades for $100, and it pays an annual dividend of $2, the stock has a dividend yield of 2%.

And while you can withdraw your cash dividends quarterly or annually, there's another tool many companies offer that gives investors astonishing upside.

Dividend Reinvestment Programs Are Your Key to 8,000% Returns

And your profits can really accumulate if you employ a "dividend reinvestment program" or DRIP.

DRIPs use the dividend payments you collect from a company to automatically buy more shares instead of giving you the cash.

One of the best things about DRIPs is they keep you disciplined. They incentivize you to invest for the long term.

With DRIPs, some companies allow you to reinvest dividends directly with them, without using a broker.

These no-fee DRIPs remove transaction fees, which can be as much as $9.99 per trade.

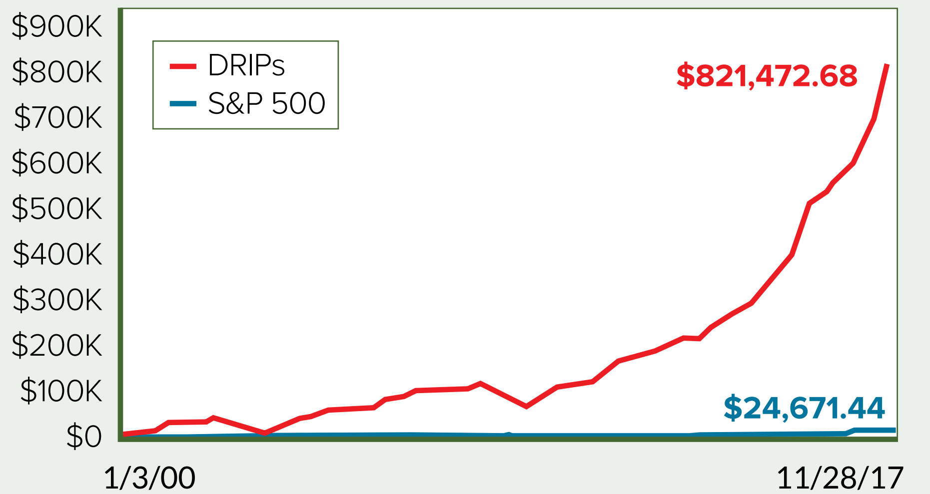
That means more money directly in your account – on top of the astonishing gains you'll be bringing in.

Just ask anyone who invested in Reynolds American Inc., now a subsidiary of British American Tobacco Plc. (NYSE: BTI).

If you had put $10,000 into Reynolds back in January 2000 and reinvested your dividends, you'd have more than $821,000 in your account at the start of 2019. That's an incredible 8,111% return.

That timeline is long, but it's important. During that stretch, the markets weathered the dot-com bubble and the Great Recession.

Profits on Your Initial $10,000 Investment



In the same time frame, the S&P 500 returned just 140%. That same initial $10,000 investment would only be worth $24,000 if you had parked it in an index fund.

Believe it or not, that's just the tip of the iceberg.

Folks who reinvested their dividends with Altria Group Inc. (NYSE: MO) starting in 2000 and ending in 2018 saw total returns of 3,266%. That turned every $10,000 into more than $336,000.

Not bad for weathering two major market downturns.

The market will always have periods where it goes down – and once again, it will be dividends that maximize your returns.

Building wealth through dividends takes time, but time is the one guaranteed asset you have to work with. Learn to work with it, and your money will thank you.

Please Note: From time to time, Money Map Press will recommend stocks or other investments that will not be included in our regular portfolios. There are certain situations where we feel a company may be an extraordinary value but may not necessarily fit within the selection guidelines of these existing portfolios. In these cases, the recommendations are speculative and should not be considered as part of Money Map Press philosophy.

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MONEY MORNING

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