Introduction - The Roots of Stock Investing Simplified

Welcome to The Roots of Stock Investing! If you purchased this book, it means you have made your first step to start your stock investing career. What you will see in this chapter, is a brief overview of what investing is about. From there, every chapter you will read contains key lessons to be retained and it is important that you read through these in a careful manner. The journey to become successful in investing needs a strong foundation. So, if you are reading this book and expect it to be the only book you will need in your life, you are wrong! You need to learn as much as possible from many sources before investing in anything. You need to know where your money is going, and the only way to do that is by investigation! Investing your money needs investigation on where to spend it.

This book is not a guide on how-to-get-rich-quick scheme. Those tend to take more away from you than what it actually gives you back. In fact, a high quantity of investing information is available already online for free (and I will cite some of that info as well for your personal use). So if you were expecting to become rich after a week reading this book, I must let you know, that will not occur. However, if you are ready to put up with challenges, learning about money, and patience to let it grow. Then, you will have worked so hard that by the time you know it, you will be reaching your goals.

Now that I have weed out the easy-goers, let us begin with a series of steps to take for investing:

Step 0: Pre-Requisites

You need to learn concepts, and many definitions before even attempting to buy something. This is the most important step you will need in order to become a successful investor. Many investors make it seem that investing in stocks only needs buy and sell, but that is one of the last steps. When you press buy or sell there are many concepts and definitions that are often ignored during the transaction of stock. Because these things are not taken into account, many investors take a decision based on just a “pattern” of either going up or down. However, if you understand the *information* (and I repeat, the information, not the pattern)behind these movements, you understand why is it that they are happening and take action based on that. There is no mathematical formula that will give you the time and moment of when to buy and sell, there is no magic pattern that stocks follow that can be predicted. However, if you understand the reasons of why a certain stock moves in a certain way, you will be able to have a solid foundation on which stock to choose as an investment, and when. Also need to understand that certain behaviors on the stock are simply a manifestation of things that “naturally” occur in stocks all the time. And there is a huge difference in being able to differentiate in between a stock showing “promise” of growths, and just an inflation adjustment, and IPO scandal, or a governmental change. All these concepts, and ideas will be explained in detail in the next chapter.

Step 1: The Psychology of Investing

Really? Is this going to talk about psychology? Yes, up to a certain point. As you can see, there are a lot of strategies, concepts, and definitions that are based on human psychology. This does not mean that you will be doing psycho-analysis on stocks or people. Actually, this chapter is to make you be aware of yourself. You see, when a person invests in stocks there are two factors that play a role in our brains: Ease of Access and Ease of Selection. These two are always present in all of investing decisions. Knowing the definitions and understanding how they work, you will be able to use them for your own benefit. People’s decisions are affected by these psychological factors without even realizing. Thus, understanding them makes you more likely to not fall for the trap that many investors fall in the stock market.