How To Start Investing in Stocks in 2025 and Beyond

A 7-Step Guide to Jump-Start Your Investing Journey

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Part of the Series
How to Invest with Confidence

Investing in stocks can be a powerful way to grow your wealth over time. It involves buying shares in a company with the hope that the company will grow and perform well in the stock market for the long term, resulting in gains on your investment.

It's important to start by setting clear investment goals, determining how much you can invest and how much risk you can tolerate. Then pick a broker that matches your trading style, fund your account, and buy stocks.

This beginner's guide explains the essential steps to invest in stocks, whether

KEY TAKEAWAYS

- Investing in stocks and letting your money work for you is one way to grow your wealth.
- Investing involves a chance of losses. However, there are ways to lower your risk, though you can't eliminate it altogether.
- New investors have never had so many resources for expert advice.
- Following these seven essential steps, you'll learn how to set clear investment goals, choose the right stocks, and understand the basics of stock investing.

How To Start Investing in Stocks in Just 7 Steps

Investing in stocks involves purchasing shares of ownership in a public company in the hopes of seeing the company perform well in the stock market, leading to a share price increase that makes your investment more valuable.

Investing in stocks can lead to positive financial returns if you own a stock that grows in value over time. But you also face the risk of losing money if a share price falls over time.

Step 1: Set Clear Investment Goals

Begin by specifying your financial objectives. Clear goals will guide your investment decisions and help you stay focused. Consider both short-term and long-term goals, as they will affect your investment strategy.

You might have short-term goals like saving for a home or a vacation or have long-term objectives like securing a comfortable retirement or funding a child's education. Your objectives depend on your life stage and ambitions. Younger investors tend to focus more on growth and long-term wealth accumulation, while those closer to retirement typically prefer generating income and capital preservation. The more precise you are, the better.

Tips for Setting Investment Goals:

retirement," aim for specific targets like "accumulate $500,000 in my retirement fund by age 50."

2. **Determine your investment horizon**: Assess how long you have to achieve each goal. Longer time horizons often allow for more aggressive investment strategies, while shorter ones may require more conservative approaches. The longer you give yourself, the less conservative you'll need to be early on.
3. **Evaluate your finances**: Be realistic about how much you can put toward your investment goals, considering your savings, regular income, and any other financial resources.
4. **Rank your goals**: Most of us balance several goals at once, and we have to prioritize saving for a home down payment, paying for a wedding next year, or preparing for retirement based on urgency and importance. For example, saving for a down payment on a house might take precedence over planning a vacation.
5. **Adapt as life changes**: The phrase financial planning is best taken as a verb, not a noun. It's an ongoing process that should evolve with your needs and aspirations. You might fall in love or out of it, have many children or none of them, or realize your life's work means moving cross country. Regularly review and adjust your goals as your life circumstances change.

The first step in any venture is the biggest, but by setting clear and precise investment goals, you'll lay a strong foundation for building your investments. This clarity will help you navigate the stock market with confidence and purpose.

Step 2: Determine How Much You Can Afford To Invest

Pinpointing how much you can afford to put in stocks requires a clear-eyed assessment of your finances. This step helps ensure that you are investing responsibly without endangering your financial stability.

Tips for Determining Your Investment Amount:

1. **Review your income sources**: Begin by listing all your sources of income. Check if your employer offers investment options with tax benefits or matching funds to amplify your investments.

before investing. Solid does not mean perfect. This fund should cover a few months' worth of major expenses, such as mortgage or rent payments and other essential bills.

3. **Pay off high-interest debts**: Financial planners typically recommend paying down high-interest debts, such as credit card balances. The returns from investing in stocks are unlikely to outweigh the costs of high interest accumulating on these debts. Thus, scrutinize each of your debts similarly, weighing the interest payments against potential investment returns. Likely, your debts will have to come first.
4. **Create a budget**: Based on your financial assessment, decide how much money you can comfortably invest in stocks. You also want to know if you're starting with a lump sum or smaller amounts put in over time. Your budget should ensure that you are not dipping into funds you need for expenses.

Don't worry if your funds are less than you would wish. You wouldn't berate yourself for not being ready for a race on your first day of training; so, too, with investing. This is a marathon, not a sprint, and the journey is still ahead.

Two crucial points:

- Only invest money you can afford to lose.
- Never put yourself in a financially vulnerable position for the sake of investing.

Taking these seriously is what separates investing from gambling.

Step 3: Determine Your Risk Tolerance and Investing Style

Understanding your risk tolerance is a cornerstone of investing. It helps you align your comfort level with the inherent uncertainties of the stock market and financial goals.

Tips for Assessing Your Risk Tolerance

1. **Self-assessment**: Reflect on your comfort level with the ups and downs of the stock market. Are you willing to accept higher risks for potentially greater returns, or do you prefer stability even if that means potentially less

2. **Consider your time horizon**: Your risk tolerance often depends on your investment timeline. Longer horizons allow for more risk since you have time to recover from potential losses. Shorter timelines typically require more conservative investments.
3. **Gauge your financial cushion**: Assess your finances, including your savings, emergency fund, and other investments. A solid financial cushion can help you take on more risk.
4. **Align investments with risk levels**: Choose stocks and other investments that align with your risk tolerance. Examples:
   - Lower risk: Dividend stocks and bonds.
   - Moderate risk: Midcap and large-capitalization stocks, index funds, and exchange-traded funds.
   - High risk: Small-cap stocks, growth stocks, and sector-specific investments.
5. **Adjust over time**: Your risk tolerance may change as your finances and goals evolve. Regularly reassess your risk tolerance and adjust your investment strategy accordingly.

By accurately determining your risk tolerance, you can build a portfolio that reflects your financial goals and personal comfort level, helping you navigate the stock market with more peace of mind.

Tips for Identifying Your Investing Style:

Whether you prefer a hands-on approach or a more passive strategy, understanding your investing style helps you choose the right investment methods and tools. Everyone has a different relationship with money. Some prefer an active role, meticulously pouring over every last cell on their portfolio's spreadsheets, while others opt for a set-it-and-forget-it approach. They trust their investments will grow over time if they just leave them alone.

Your style might evolve, but you'll need to start somewhere, even if your choice isn't set in stone.

Begin with a self-reflection on whether you enjoy researching and analyzing

1. **DIY investing**: If you grasp how stocks work and have the confidence to head out with minimal guidance into the market, managing the trades yourself is one option. Even DIY, there are more and less active approaches:

- **Active**: You use your brokerage account to access various investments, including stocks, bonds, and other assets, and trade as you wish. You'll set your goals and choose when to buy and sell.
- **Passive**: You use your brokerage account to buy shares in index ETFs and mutual funds. You still control which funds you purchase, but fund managers do the trading for you.

2. **Professional guidance**: For those who prefer a more personal approach and want more, an experienced broker or financial advisor is often invaluable. These financial professionals tailor their advice to your life experiences and goals, help you decide among the most promising stock choices, monitor your portfolio, and collaborate with you when things need changing.

Step 4. Choose an Investment Account

You've figured out your goals, the risk you can tolerate, and how active an investor you want to be. Now, it's time to choose the type of account you'll use. Each has its own features, benefits, and drawbacks. In addition, the type of account you choose can greatly impact your tax situation, investment options, and overall strategy. You'll need to compare different brokers to find the investment account right for you.

Tips for Choosing Your Investment Account

1. **Understand the different account types**: In the table below, we've listed the differences between regular brokerage accounts, retirement accounts, and managed accounts. You'll want to choose one that'll work for you. We also list special accounts for education and health savings.

2. **Consider the tax implications**:

- **Taxable accounts**: These are the most common if you're trading

- **Tax-deferred accounts**: Contributions to traditional IRAs and 401(k)s cut taxable income, and taxes are deferred until you withdraw the money.
- **Tax-free accounts**: Roth IRAs and Roth 401(k)s are funded with after-tax dollars, but qualified withdrawals in retirement are tax-free.

Account Type	Description	Tax Implications	Key Features
Brokerage Accounts	Standard accounts for buying and selling a wide range of investments; can be individual or joint (shared). The basic type is a cash account: you buy securities using only the money in your account. There are also margin accounts for experienced investors who borrow to buy additional stock.	No tax advantages; capital gains and dividends are taxable.	Full control over investments, flexible funding, and withdrawal options.
Managed Accounts	Accounts managed by professional advisors on your behalf.	No tax advantages; capital gains and dividends are taxable.	Professional management, personalized investment strategies, typically higher fees.
Dividend Reinvestment Plan (DRIP) Accounts	Accounts that automatically reinvest dividends into additional shares of the stock.	Dividends are taxable when received.	Automatic reinvestment, compounding growth, usually no transaction fees.
Retirement Accounts	Accounts for long-term retirement savings with tax advantages.	Depends on the account type; generally tax-deferred or tax-	Contribution limits, potential employer matching.

- 401(k), 403(b), 457 Plans	Employer-sponsored retirement accounts. Take advantage of any matching funds if offered.	Contributions reduce taxable income; tax-deferred growth.	Potential employer matching (401[k] and 403[b]); no early withdrawal penalties for 457 plans; contribution limits.
- Traditional IRAs	Individual retirement accounts with tax-deductible contributions.	Contributions reduce taxable income; tax-deferred growth.	Annual contribution limits; penalties for early withdrawal before age 59.5.
- Roth IRAs	Individual retirement accounts are funded with after-tax dollars.	Tax-free growth; tax-free withdrawals in retirement.	Annual contribution limits; no required minimum distributions; penalties for early withdrawal of earnings.
- Roth 401(k) Plans	Employer-sponsored retirement accounts with after-tax contributions.	Tax-free growth; tax-free withdrawals in retirement.	Potential employer matching; contribution limits; penalties for early withdrawal before age 59.5.
Education Savings Accounts (529 Plans) [1]	Accounts to save for education expenses.	Contributions are not federally tax-deductible; tax-free growth.	Used for education expenses; states tax benefits in some cases; no federal contribution limits

Accounts (HSAs) [2]	expenses with triple tax advantages: tax-deductible contributions, tax-free growth, and tax-free withdrawals for qualified expenses.	reduce taxable income; tax-free growth and withdrawals.	health plan required; contribution limits; funds roll over year to year.

3. **Evaluate your investment goals**: Match your investment account type with your goals. For long-term retirement savings, consider tax-advantaged accounts. For short-term goals or flexible investing, a standard brokerage account might be better.

4. **Scrutinize account fees, commissions, and minimums**:

- **Trading commissions**: These are fees brokers charge when you buy or sell securities. Many brokers now offer commission-free trades for particular investments, such as stocks and ETFs.
- **Account maintenance fees**: Some brokerage accounts may charge annual or monthly maintenance fees, which depend on the account type and balance.
- **Inactivity fees**: Brokers may charge fees if your account has little or no trading activity over a certain period.
- **Subscription-based models:** As Generation Zers and Millennials take up a larger share of the investment space, financial advisors, planners, and brokers are adjusting. Instead of paying per transaction or for specific services, you pay a flat monthly or annual fee. Your subscription may include commission-free trades, access to research tools, and other premium support. [3]
- **Account minimums:** Momentous changes in recent years have resulted from immense competition among brokerages. Many online brokers have eliminated account minimums, making it easier for more investors to get started. [4] If you have just a few dollars to invest, you can open a brokerage account and begin trading stocks.

5. **Check for added features**: Some accounts offer additional features such as

preferences.

- **Research and analysis**: Choose a broker with robust research tools, market analysis, and educational resources to help you make informed decisions.
- **User-friendly trading platform**: It shouldn't be glitchy or too difficult for you to use. It's best if it has real-time quotes, sophisticated charting tools, and mobile access.
- **Customer service**: Look for brokers that offer several customer support options, including phone, email, live chat, and in-person support if needed.
- **Reputation and security**: Avoid any platform that is not regulated by authorities like the U.S. Securities and Exchange Commission. Also, check that the broker employs strong security measures, such as encryption and two-factor authentication, to protect your personal and financial information.

6. **Pick your broker**: Brokers are full-service, discount, or robo-advisory. A good broker will offer the tools, resources, and support you need to make informed investment decisions and manage your portfolio effectively.

- **Full-service brokers**: These pack an array of financial services into one offering, including financial advice for retirement, healthcare, and educational products. They might craft financial plans to help you save for college, prepare for retirement, navigate estate transitions, and tackle other major life events. This personalized service explains their typically higher fees—usually a percentage of your transaction values and assets under management. Some firms bill a yearly membership fee. To access these services, you'll typically need to invest at least $25,000, and they have traditionally catered to high-net-worth individuals.
- **Discount brokers**: These have much lower, if any, thresholds for access but have a typically more streamlined service that allows you to place individual trades (often for low or no commissions per trade). Most have educational materials on their sites and mobile apps.

- **Robo-advisors**: For an automated solution, robo-advisors save money and take little effort on your part. If you select one, you won't be alone. According to Charles Schwab, 58% of Americans say they will use some sort of robo-advisor by 2025. [5] They tend to offer fewer trading options and lack the personal approach to financial planning that's often best for long-term investing. Want to know more? See our Best Robo-Advisors.

Step 5: Fund Your Stock Account

By this step, you've picked a broker that aligns with your investment goals and preferences or is simply the most convenient. You've also decided whether you're opening a cash account, which requires you to pay for investments in full, or a margin account, which lets you borrow when purchasing securities.

Once you've chosen a brokerage and account type, you'll open your account. This involves providing your personal information: Social Security number, address, employment details, and financial data. This shouldn't take you more than 15 minutes.

Now you'll have to fund it. Here are tips for doing so:

Tips for Funding Your Stock Account

1. **Choose how you'll fund it**:

- **Bank transfer**: The most common method is to transfer funds directly from your bank account. This can be done via electronic funds transfer or wire transfer.
- **Check deposit**: Some brokers allow you to mail a check to fund your account. This method can take longer but is viable if you prefer not to use electronic transfers.
- **Transfer from another brokerage**: If you have an existing brokerage account, you can transfer assets directly to your new account. This process, known as an ACATS transfer, is usually straightforward but may take a few days to complete.

market does. This cuts your risk of making bad decisions based on short-term market news. Most brokers let you customize the frequency and amount of your automatic contributions, making it easier to stay within your budget and keep on track with your investment goals.

3. **Start investing**: Once you've verified the funds are in your account (don't worry: the brokerage won't let you trade otherwise), it's time to start choosing the stocks that best fit your investment goals.

> **Tip:** If you plan to trade frequently, check out our list of brokers for cost-conscious traders.

Step 6: Pick Your Stocks

Even experienced investors grapple with choosing the best stocks. Beginners should look for stability, a strong track record, and the potential for steady growth. Resist the temptation to gamble on risky stocks, hoping for a quick windfall. Long-term investing is mostly slow and steady, not fast and rash.

Here are the types of stocks more likely to be solid bets when starting off:

- **Blue chips**: These are shares of large, well-established, and financially sound companies with a history of reliable performance. Examples include companies listed in the Dow Jones Industrial Average or the S&P 500. They are typically industry leaders and offer stability during market fluctuations.
- **Dividend stocks**: Companies that regularly pay dividends can be a good choice for beginners. Dividends give you a regular income, which can be reinvested to buy even more stock. *See How to Buy Dividend Stocks* to learn more.
- **Growth stocks**: The greater the chances for outsized growth in a stock, the riskier investing in it will be. Beginners interested in growth stocks should target industries with long-term potential, such as technology or healthcare.
- **Defensive stocks**: These are in industries that tend to do well even during economic downturns, such as utilities, healthcare, and consumer goods. They will give you a buffer against market volatility as you start.

stocks. As you gain experience, you can look at funds for sectors that pique your interest, themes that meet your investment goals, or funds pooling environmental, social, and governance stocks.

It's prudent to begin with a conservative approach, focusing on stocks or funds that offer stability and a good track record. This will give you confidence and returns to trade with as you advance in your investing knowledge.

Step 7. Learn, Monitor, Review

Successful investors discover tips and strategies each passing day. As the stock market changes, staying up to date, going back to Step 1, reviewing your goals, etc., will be key. Here are tips on learning about, monitoring, and reviewing your accounts with an eye toward your goals and risk tolerance.

Tips for Learning and Monitoring Your Stocks

1. **Read widely and regularly**: Read reputable financial news sites. Keep informed about the global economy, industry trends, and the companies you are invested in. Avoid sites and books promising easy returns or tricks, not tips, likely to redound to their benefit when you buy their courses or apps. Books on investment strategies, stock market fundamentals, and diversification are essential.
2. **Use stock simulators**: These are platforms that enable you to practice trading stocks risk-free using virtual money. They are excellent for applying investment theories and testing strategies without risk. *Investopedia*'s simulator is entirely free to use.
3. **Learn about diversification**: Having taken your beginning steps here, you'll next want to spread your investments across diverse asset classes to cut down on risk and improve your potential for returns. When you're ready, we can help you learn how to diversify your portfolio beyond stocks.

You now need to monitor your stocks and other investments. Regular reviewing and staying informed will help you adjust when necessary to keep on track with your financial goals.

world—you're starting with a blank slate, and the options are endless. Here are ideas that aren't only the best for beginners but are many times the choice of the experts managing their own portfolios:

Index funds: These are not technically stocks but funds that trade shares like them. They are passively managed funds that track the performance of a particular market index, like the S&P 500, a collection of 500 major publicly traded American companies.

These might not come with the excitement of picking a stock and seeing it take off, but index funds take what would be impractical or too expensive for a beginner and let you invest in a whole pool of them. And they do well: According to the S&P Indices Versus Active score cards, a widely respected benchmark, about 90% of actively managed funds didn't match the returns of the S&P 500 over 10 and 15-year periods. [6] This is simple but winning information: the most effortless route might be the most profitable.

Blue chip stocks: Classic investing advice has been to buy shares of well-established, stable companies with a history of consistent growth and dividend payments. The blue chips—named for the traditional color of the highest-value poker chips—have strong brand recognition, a solid market position, and a track record of weathering economic downturns. Investing in them can provide you with stability and the potential for steady, long-term returns.

Examples include Apple (AAPL), known for its ubiquitous technology products and loyal customer base; JP Morgan & Chase Co (JPM), the banking giant; Johnson & Johnson (JNJ), a healthcare giant that also owns manufacturers of many consumer goods; and Coca-Cola (KO), the soft drink maker that has distributed dividends each year since 1893.

Dividend aristocrats: Coca-Cola is not just a blue-chip stock but also belongs to a select group that has distributed and increased their dividends for at least 25 consecutive years. By investing in dividend aristocrats, beginners can benefit from the potential for rising income and the chance to reinvest the dividends for compound growth.

the consumer products multinational; and Walmart (WMT), the retail behemoth.

Low-volatility stocks: These companies' shares have historically had fewer price swings, providing more solidity to portfolios and, not for nothing, calm for investor heart rates. They often belong to "defensive sectors" (recession-proof parts of the economy) such as utilities, consumer staples, and healthcare.

Examples include companies we've mentioned already (Johnson & Johnson, Coca-Cola, Procter & Gamble, etc.), as well as Berkshire Hathaway (BRK.B), Brystol-Myers Squibb Company (BMY), Duke Energy (DUK), and the Hershey Company (HSY), whose stability even during financial storms shows that the love of chocolate doesn't go away when the economy hits some bumps.

Quality factor ETFs: These invest in companies with solid balance sheets, consistent growth in earnings, and other measures of good financial health. Quality factor ETFs take a rules-based approach to selecting stocks with low debt levels, stable earnings, and high returns.

Example funds include the iShares MSCI USA Quality Factor ETF, which holds large- and midcap U.S. stocks with solid quality characteristics, and the Invesco S&P 500 Quality ETF, which focuses on high-quality stocks within the S&P 500 index.

The potential drawback for each of these investments is that you might not see the outsized growth that riskier stocks could provide. In addition, past performance does not determine future results. If you have limited funds, this could be unappealing: more modest returns won't seem to add much when you don't have much to begin with.

However, reinvested dividends and compound growth add up. Investing is not gambling, and the reason to invest rather than go to a casino is that prudent, patient, and disciplined investing is how most investors get ahead.

How Much Money Do I Need To Start Investing in Stocks?

allowing you to start investing with a small amount of money. However, the price of individual stocks and the minimum investment for certain mutual funds or ETFs might require you to start with more of an initial investment. That said, there are many brokerages and investment options now for those starting with less to invest than there were a decade or two ago.

Are Stock Funds Good for Beginner Investors?

Stock funds, including mutual funds and ETFs that invest in a diversified portfolio of stocks, are a good option for beginner investors. They offer diversification, which helps spread risk across different stocks, and are managed by professional fund managers. In addition, stock funds allow beginners to invest in a broad range of stocks with a single investment, making it easier to get started without having to pick individual stocks. While you watch your mutual fund or ETF investment over time, you will also gain experience about the ebb and flow of the stocks these funds hold, good knowledge that will help you when investing later.

What Are the Risks of Investing?

Investing is a commitment of resources now toward a future financial goal. There are many levels of risk, with certain asset classes and investment products inherently much riskier than others. It is always possible that the value of your investment will not increase over time. For this reason, a key consideration for investors is how to manage their risk to achieve their financial goals, whether short- or long-term.

Do I Have To Live in the U.S. To Open a Brokerage Account?

To open a brokerage account, you don't have to live in the U.S. Many U.S. brokerage firms accept international clients. However, the application process and requirements will differ, including the need for additional documentation, such as proof of identity and residence. There are also some investments and services regulations curtailed for those who aren't U.S. citizens, but the experience is very similar. Most major online brokerages in the U.S. accept international clients.

How Do Commissions and Fees Work?

of trades they make to avoid spending extra money on fees. Certain other types of investments, such as exchange-traded funds, may carry additional fees to cover fund management costs.

The Bottom Line

Beginners can start investing in stocks with a relatively small amount of money. You'll have to do your homework to determine your investment goals, risk tolerance, and the costs of investing in stocks and mutual funds. You'll also need to research brokers and their fees to find the one that best fits your investment style and goals. Once you do, you'll be well-positioned to take advantage of the potential stocks have to reward you financially in the coming years.

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