# Stock Investing Definitions

## **Long Position:**

If an investor has a [long](https://www.investopedia.com/terms/l/long.asp) position, it means that the investor has bought and owns securities, such as shares of stocks. For instance, an investor who owns 100 shares of Tesla stock in their portfolio is said to be long 100 shares.

This investor has paid for the shares in full. They will make money if the shares rise in value and they sell them for more than they paid.

## **Short Position:**

If the investor has a [short](https://www.investopedia.com/terms/s/short.asp) position, it means that the investor sold shares of a stock (and thus, owes them to some other investor who buys them), but does not actually own them yet. For instance, an investor who has sold 100 shares of Tesla without owning them is said to be short 100 shares.

When the trade settles, the investor with the short position must fulfill their transaction obligation by purchasing the shares in the market so that they may deliver them.

Oftentimes, the short investor will borrow the shares from a brokerage firm through a [margin account](https://www.investopedia.com/terms/m/marginaccount.asp) to make the delivery. The goal is for the stock price to fall. Then, the investor will buy the shares at a lower price than they sold at, to pay back the dealer who loaned them.2

U.S. Securities and Exchange Commission. "[Investor Bulletin: An Introduction to Short Sales](https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-51)."

If the price doesn't fall but instead keeps rising, the short seller may be subject to a [margin call](https://www.investopedia.com/terms/m/margincall.asp) from their broker. A margin call occurs when the value of an account of an investor who borrows on margin falls below the broker's required minimum value. Once a call is issued, the investor must deposit additional money or securities so that the value of the margin account rises to or above the minimum [maintenance margin](https://www.investopedia.com/terms/m/maintenancemargin.asp) level.