

Different Types of Stock

The different types of stock are what confuse most first time investors. That confusion causes people to turn away from the stock market altogether, or to make unwise investments. If you are going to play the stock market, you must know what types of stock are available and what it all means!

Common Stock is a term that you will hear quite often. Anyone can purchase common stock, regardless of age, income, age, or financial standing. Common stock is essentially part ownership in the business you are investing in. As the company grows and earns money, the value of your stock rises. On the other hand, if the company does poorly or goes bankrupt, the value of your stock falls. Common stock holders do not participate in the day to day operations of a business, but they do have the power to elect the board of directors.

Along with common stock, there are also different classes of stock. The different classes of stock in one company are often called Class A and Class B. The first class, class A, essentially gives the stock owner more votes per share of stock than the owners of class B stock. The ability to create different classes of stock in a corporation has existed since 1987. Many investors avoid stock that has more than one class, and stocks that have more than one class are not called common stock.

The most upscale type of stock is of course Preferred Stock. Preferred stock isn't exactly a stock. It is a mix of a stock and a bond. The owner's of preferred stock can lay claim to the assets of the company in the case of bankruptcy, and preferred stock holders get the proceeds of the profits from a company before the common stock owners. If you think that you may prefer this preferred stock, be aware that the company typically has the right to buy the stock back from the stock owner and stop paying dividends.

[Insert Your Resource Box Here]

(Words: 331)