

Title:

Following Stock Tips

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Summary:

When everyone you are around is chatting about the hottest stocks, it can be hard to resist investing in that stock

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Article Body:

When everyone you are around is chatting about the hottest stocks, it can be hard to resist investing in that stock. Maybe your colleague doubled his money in some interesting new medial stock. Possibly your newspaper is promoting a specific company as "the next big deal." Perhaps you read it in a financial newsletter. No matter where your stock tip came from, invest your money right on the spot can all too easily have a negative consequence.

Investing in the stock tips you receive is almost always generally a very bad idea, for a variety of reasons. The first reason is quite simple; most "hot stocks" became hot simply because folks like an idea of a company. However, financial viability and likeability are extremely different from each other. If a company cannot come up with a business plan that is sound, then it will likely not be very profitable in the end, it does not matter how many people invest into their company. One prime example of this is the internet technology that surfaced in the 90's, it was during this time that it was extremely easy for any type of internet business to get funding. Then what happens is that we have a dozen or so funded business that did not include actual strategies that were concrete to become profitable. This led to many businesses falling through and no longer existing to this date.

It is possible to avoid losing when accepting any type of stop tip, there is one thing that will remain unavoidable. Unless you have a very good friend that is liberate and financially active, it is highly likely that the "Hot tip" you receive will come to you, already cold. Stocks can be traded at the drop of a hat, and with new information constantly being traded amongst investors, it will quickly have an effect on the price of the stock. One good rule of thumb is that if you have heard of this stock tip from anyone rather it be a good friend,

a newsletter, or the newspaper it is highly likely that others have heard the exact same tip. Then what this will mean is that the stock market has already been adjusted to meet these expectations of the tip, generally if the tip was readily received by numerous investors, the price could become inflated and this will cause great losses when the price is readjusted.

It is extremely important that you be extremely aware of all the risks that are significant and real. It is not a good idea to follow most of the stock tips you receive, but trading stock can be fun and rewarding for anyone who has the ability to afford the risks that are taken. Do not allow yourself to be sucked in by what could sound great; keep your principals in investments smart and knowledgeable.