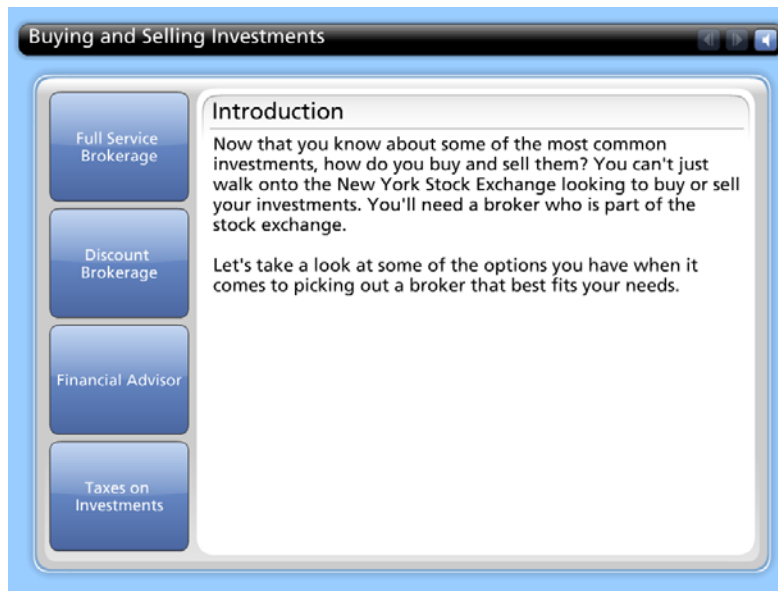


# Buying and Selling Investments

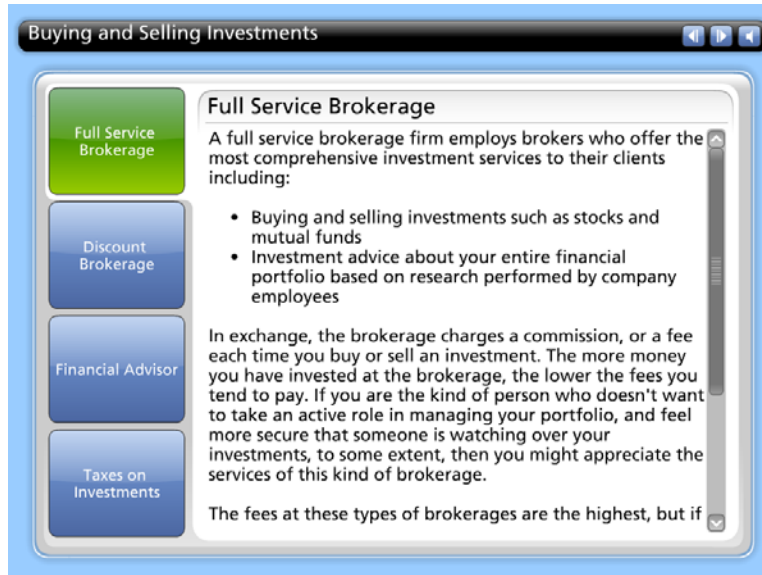
## Introduction



Now that you know about some of the most common investments, how do you buy and sell them? You can't just walk onto the New York Stock Exchange looking to buy or sell your investments. You'll need a broker who is part of the stock exchange.

Let's take a look at some of the options you have when it comes to picking out a broker that best fits your needs.

# Full Service Brokerage



A full service brokerage firm employs brokers who offer the most comprehensive investment services to their clients including:

- Buying and selling investments such as stocks and mutual funds
- Investment advice about your entire financial portfolio based on research performed by company employees

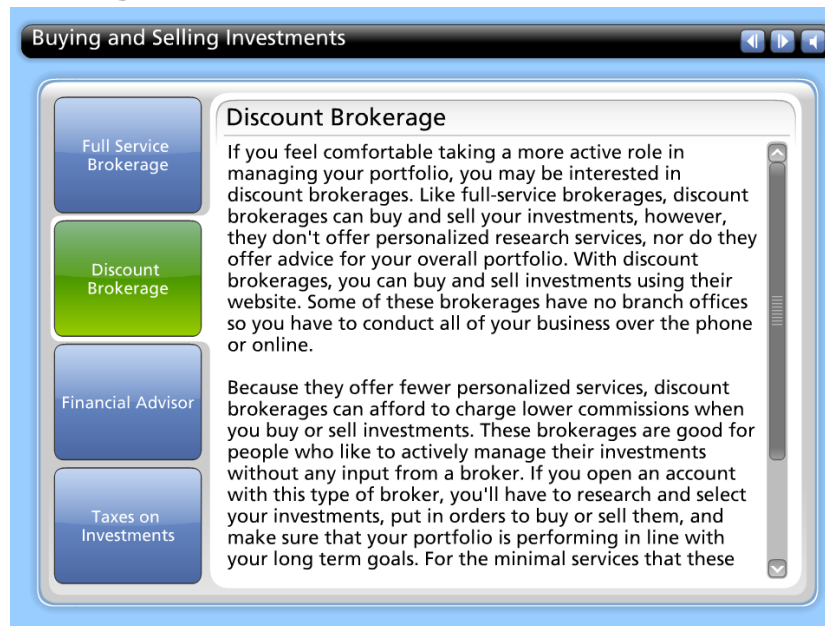
In exchange, the brokerage charges a commission, or a fee each time you buy or sell an investment. The more money you have invested at the brokerage, the lower the fees you tend to pay. If you are the kind of person who doesn't want to take an active role in managing your portfolio, and feel more secure that someone is watching over your investments, to some extent, then you might appreciate the services of this kind of brokerage.

The fees at these types of brokerages are the highest, but if you aren't actively monitoring your portfolio, or if you benefit from the research provided by these companies, you might make up for those fees with investments that perform better than you would have selected on your own.

Example Firms:

- [Merrill Lynch](#)
- [Edward Jones](#)
- [J. P. Morgan](#)

# Discount Brokerage



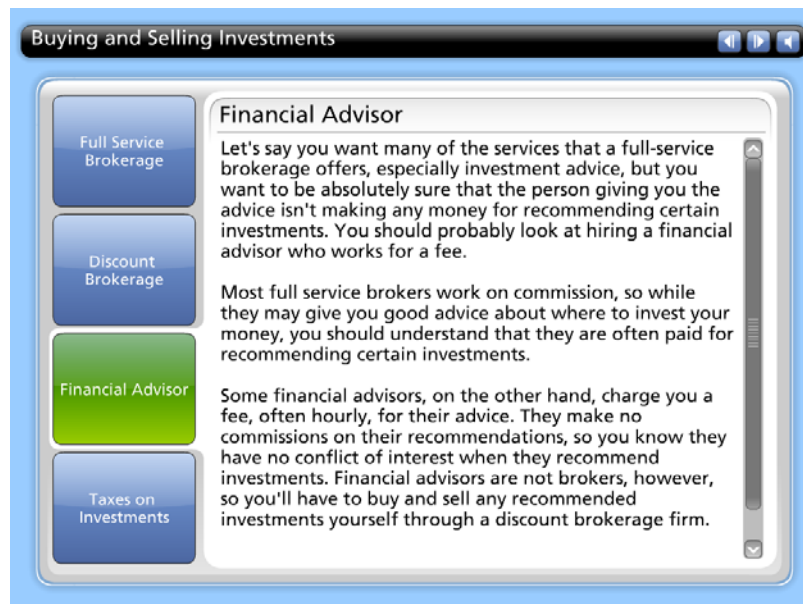
If you feel comfortable taking a more active role in managing your portfolio, you may be interested in discount brokerages. Like full-service brokerages, discount brokerages can buy and sell your investments, however, they don't offer personalized research services, nor do they offer advice for your overall portfolio. With discount brokerages, you can buy and sell investments using their website. Some of these brokerages have no branch offices so you have to conduct all of your business over the phone or online.

Because they offer fewer personalized services, discount brokerages can afford to charge lower commissions when you buy or sell investments. These brokerages are good for people who like to actively manage their investments without any input from a broker. If you open an account with this type of broker, you'll have to research and select your investments, put in orders to buy or sell them, and make sure that your portfolio is performing in line with your long term goals. For the minimal services that these brokerages provide, you'll pay minimal fees.

Example Firms:

- [Charles Schwab](#)
- [Fidelity](#)
- [Scottrade](#)
- [e-Trade](#)

# Financial Advisor



Let's say you want many of the services that a full-service brokerage offers, especially investment advice, but you want to be absolutely sure that the person giving you the advice isn't making any money for recommending certain investments. You should probably look at hiring a financial advisor who works for a fee.

Most full service brokers work on commission, so while they may give you good advice about where to invest your money, you should understand that they are often paid for recommending certain investments.

Some financial advisors, on the other hand, charge you a fee, often hourly, for their advice. They make no commissions on their recommendations, so you know they have no conflict of interest when they recommend investments. Financial advisors are not brokers, however, so you'll have to buy and sell any recommended investments yourself through a discount brokerage firm.

You can find a local financial advisor through the [National Association of Personal Financial Advisors](#) website.

# Taxes on Investments



Unless you are investing in special tax-deferred retirement accounts, you'll have to pay tax on any profit you make from your investments. Once you start investing, you'll have to keep track of your profits and/or losses so that you can report them on your income taxes. Here's a partial list of the types of investments you may have to pay tax on if you sold them during a given year:

- Dividends
- Interest
- Capital gains

If you actively trade on the stock market, you might have some extra work to do when it comes to tax time.