When you buy stock, you become part owner of a company—whether you own one share or a thousand. As a stockholder you risk only the money you invest. If the stock price exceeds what you paid, your investment increases in value. If the stock price falls below what you paid, your investment decreases in value. As a stockholder, you are entitled to collect dividends—a portion of the company's profits—if the company's board of directors declares dividends. Stockholders are entitled to vote on nominees to the company's board of directors and other important issues decided at annual or special stockholders' meetings. Not all companies publicly trade stock. Privately held companies are owned by an individual family or a small group of investors. Mars Corp, the confectionary giant that makes Snickers, Skittles, and M&Ms remains privately held. The search engine company Google did not go public until 2005. Stocks are bought and sold in marketplaces called exchanges. The Stock Market Game Program is an electronic platform in which students buy and sell simulated shares on the three major U.S. financial markets: the American Stock Exchange (AMEX), the New York Stock Exchange (NYSE) and the NASDAQ. Each exchange has listing standards—guidelines companies must follow to become, and stay, listed on the exchange. (See lesson, "What is an Exchange")

Vocabulary

Common Stock: Shares represent ownership in a corporation and give the right to vote for the company's board of directors and benefit from its financial success

Dividend: Part of a company's profits (earnings) that is pays as money or shares to stockholders. In The Stock Market Game™, any dividends received are listed in Transaction History and are included in the portfolio's total equity.

Earnings: Whatever profits or net income remains.

Initial Public Offering (IPO): An IPO is the first issue of stock for public trading made by a company.

Investor: Someone who purchases stocks, bonds, mutual funds and other financial instruments in hopes the investments will increase in value over time.

Parent Company: A company that owns enough voting stock in another firm to control management and operations.

Preferred Stock: Often pay a fixed dividend on a regular schedule. The prices tend to be less volatile than common stock. Preferred stocks tend to move with changing interest rates. Preferred stocks holders cannot vote on corporate matters.

Portfolio: A collection of investments owned by one individual or organization.

Private Company: A company owned by a person, family, or small group of investors that does not sell stock to the public.

Public Company: A company owned by investors who buy shares of stock usually through a stock exchange.

Risk: The chance of losing all or part of the value of an investment.

Risk Tolerance: An individual investor's ability to accept loss of some or all of the money they have invested. A person's risk tolerance is based on a number of factors including age, financial stability, amount of time before the invested funds are needed for other purposes, etc.

Stockholder: Also known as a shareholder is the owner of the stock.

Stock: A security that signifies ownership in a corporation and represents a claim on a part of the corporation's profit (or loss). Companies usually issue stock to raise money for a variety of reasons, including expanding or modernizing their operations. **Stock Exchange:** Place/electronic platform where shares of are bought and sold.