

What is a stock?

A stock is ownership in a company. When you buy a share of stock of a company, you become an owner of that company. Investors make money from stock when they sell it for more than they paid.

Stocks are more risky than bonds because if the stock issuer goes out of business, the stock loses all value and investors lose their investment.

Large company stock is least risky stock because of the size, strength and track record of most large companies is substantial. Small company stock has greater risk because small companies are newer and have a greater chance of failure. One in five new businesses fails in the first five years. But along with that additional risk, comes greater potential for return. Small companies have most potential for future growth.