



Why Should I Invest?

There are two basic reasons to invest in the stock market in a free enterprise society such as the United States.

1) It is important to make some type of investment(s) for the future. A relatively small sum set aside each year can make an important contribution to your long-term security. Investing as early as possible can make a big difference in how much wealth is accumulated. In the Stock Market Game™ Program in Nebraska, we teach the basics of investing in stocks. Other types of investments include certificates of deposit, savings accounts, corporate bonds, and U. S. Treasury Bonds, to name a few. From 1926-1990, common stocks have average a gain of 10.1% annually, while corporate bonds have gained 5.2%, and Treasury Bonds have gained 3.7%. Therefore, investing in stocks is the most profitable type of long-term investing, though it also carries higher risk.

Day-to-day reports on the stock market are volatile. You may often hear the market was up or down 50 points today. The 'market', also known as the Dow Jones Average (DIJA), is a composite of 30 common stocks based on a weighted average. Stock prices do fluctuate daily and that is why one should not invest in stocks for short term purposes. The 10% gains mentioned above refer to investments of 10 to 20 years. When you purchase a share of stock for the long term, it is buying on the long position. Another type of investing in the stock market is short selling.

2) The economy, as well as the individual, benefits from stock investment. Corporations issue shares of stock to raise financial capital for growth. This financial capital can be used in a variety of ways, including building new plants, buying new equipment, and increasing research and development into newer and better products and/or services. As a corporation grows, so does its need for employees. As more jobs are created, more people are able to find work and the unemployment rate decreases. As more individuals become employed, product and service sales increase leading to a higher demand in those areas. This then leads to an increase in output by the corporation and an increase in jobs creating a cycle of economic growth.

Overall, investing creates economic growth for the well being of everyone.