

# Warning

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# **QUICK START**

## **GUIDE TO INVESTING IN PENNY STOCKS**

### **WHAT ARE PENNY STOCKS?**

Penny stocks are stocks which trade for \$5 or less per share. We focus on those penny stocks which are listed on the New York Stock Exchange (NYSE), American Stocks Exchange (ASE), or NASDAQ (on the OTC market) for a number of reasons. Typically they are better established, have longer track records, have filed financial reports with proper agencies on a regular basis, and their prices are easier to find in newspapers and on the Internet. You won't have to do any research on your own because we will be sending you a monthly newsletter which has our picks.

### **HOW DO YOU MAKE MONEY WITH PENNY STOCKS?**

The classic Wall Street saw: buy low and sell high. Look for stocks which are trading near yearly lows with good prospects to bounce higher.

### **HOW MUCH MONEY CAN YOU MAKE?**

The very low price of penny stocks means that they are higher risk. More established companies sell for higher prices.

However, with the higher risk comes the potential for higher profit. It is unrealistic to look for most stocks to double or more but that is exactly the type of profit potential that penny stocks offer.

## **HOW DO I OPEN AN ACCOUNT?**

In the guide we list a number of brokers who offer competitive discount commissions for trading penny stocks. Contact a number of these brokers and ask for an account packet to be sent to you. Complete the information requested and send it back to the broker with an initial deposit check.

## **HOW MUCH MONEY DO YOU NEED?**

Most brokers require a small initial deposit like \$500 to open an account. Check with each firm for specific requirements.

## **WHAT STOCKS SHOULD I BUY?**

Your newspaper, friends, and your own business experience will often bring certain companies to your attention.

Our monthly newsletter suggests a number of penny stocks which we have uncovered through indepth research as described in the Guide.

The guide provides extensive detail on how to research companies on your own. Many readers prefer to have us do the necessary detailed research and make regular suggestions. Our monthly newsletter is one source of carefully researched candidates.

## **HOW DO I KNOW WHEN TO SELL FOR A PROFIT?**

As you research stocks on your own, you will discover the normal trading pattern for various stocks. If the penny stock normally trades between \$2 and \$4 every year, you would look to be a buyer near the 52-week low (approximately

\$2) and sell it as it nears its historical high (\$4).

When you make the decision to buy, one of the key factors should be your expectations of potential profit. Once the stock approaches your anticipated profit target, take the profit. No one ever goes broke taking a profit.

When we suggest penny stocks in our monthly newsletter, we also point out target prices. We remind our subscribers to sell as the price nears our targets.

## **HOW DO I KNOW HOW WELL I AM DOING?**

This is a good question. One of the most important things you need to do is to have a good system for tracking your profits and losses on paper. Too many traders tend to keep this information in their heads. If you don't write down every trade and its profit or loss you will tend to kid yourself. It is human nature to remember your profits and try to forget the unpleasant - your losses.

It is not important how many profits and losses you have. All that is important is the bottom line. Does the total profit from good trades outnumber the losses from losers?

Our day trading form leaves the last column for you to keep a running total of your profits and losses. In this manner you can see at a glance how well you are doing.