

Source: <http://www.themint.org/kids/what-is-the-stock-market.html>

What is the stock market?

The stock market is an everyday term we use to talk about a place where **stocks and bonds are "traded"** – meaning bought and sold. For many people, that is the first thing that comes to mind for investing. The goal is to buy the stock, hold it for a time, and then sell the stock for more than you paid for it.

How long do you hang on to stock?

Investors who hold stock for 15 years or more usually succeed in the market. Stocks are **long-term investments**. But there are no guarantees.

What are stocks?

Stocks are **units of ownership** in a company.

Companies sell stock to get money to –

- **Research** better ways to make things
- Create **new products**
- Improve the products they have
- **Hire** more employees
- Enlarge or **modernize** their buildings

So just as the federal **government sells bonds** to raise money, businesses raise money by selling stock.

How it works

When you buy stock, you become a **shareholder**, which means you now own a "part" of the company. If the company's profits go up, you "share" in those profits. If the company's **profits fall**, so does the price of your stock. If you sold your stock on a day when the price of that stock falls below the price you paid for it, you would **lose money**.

Stock prices can rise and fall

In the stock market, prices rise and fall every day. When you **invest in** the stock market, you are hoping that over the years, the stock will become much more valuable than the price you paid for it.

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Comprehension activity: True or False

Write whether the following statements are true or false. Correct the false statements.

1. In a stock market you exchange stocks to bonds. TRUE – FALSE
2. The goal is to hold you stock for some time and sell it when you can make profit. TRUE – FALSE
3. After 15 years you can sell your stocks with profit. TRUE – FALSE
4. If you buy stocks you own one part of a company. TRUE – FALSE
5. Companies sell stocks to make profit. TRUE – FALSE
6. The governments sell bonds to raise money. TRUE – FALSE
7. A shareholder loses money if the company's profits fall TRUE – FALSE
8. Over the years the stock become more valuable and you earn money TRUE – FALSE



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