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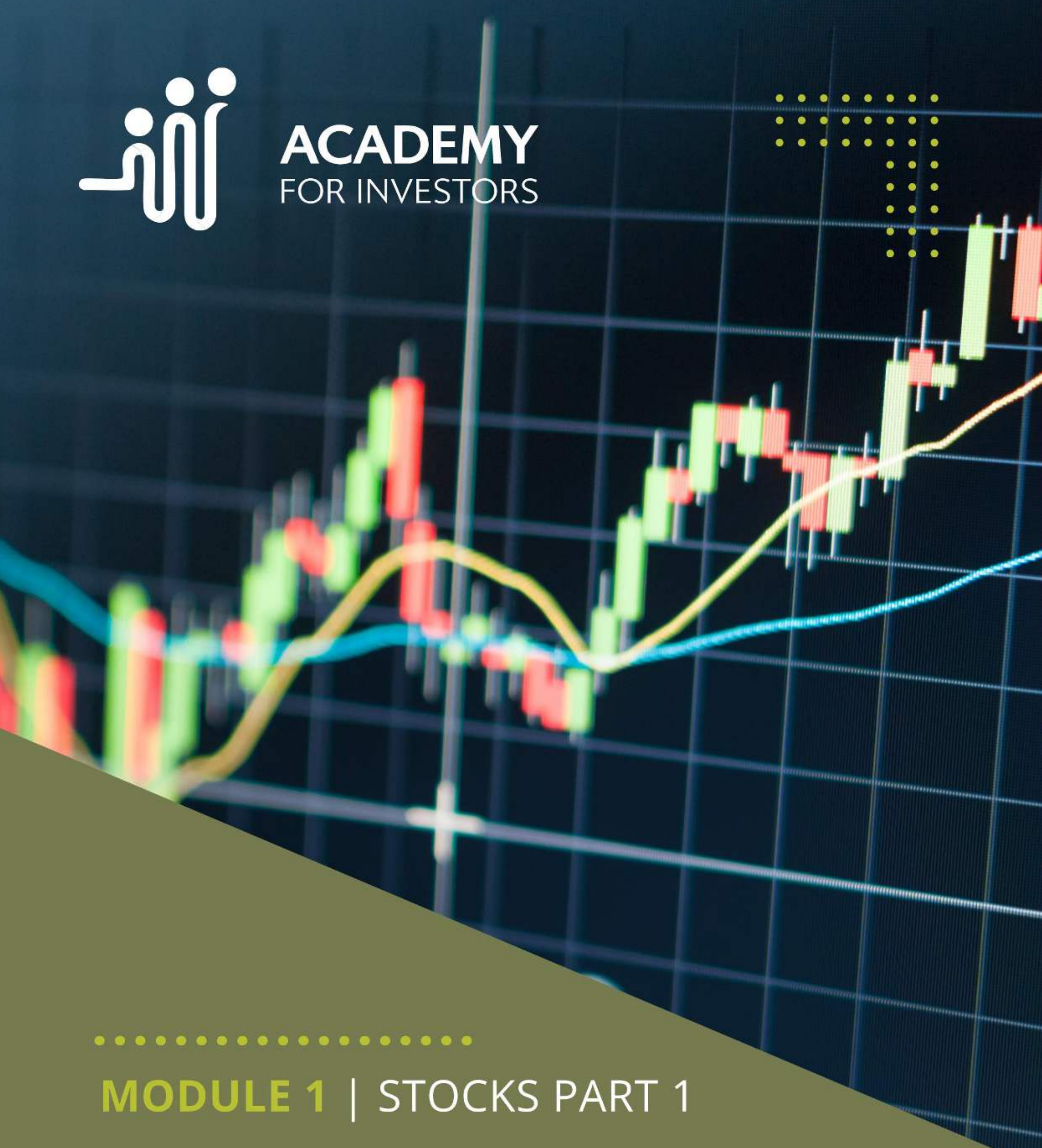

MODULE 1 | STOCKS PART 1

STUDENT REFERENCE BOOK

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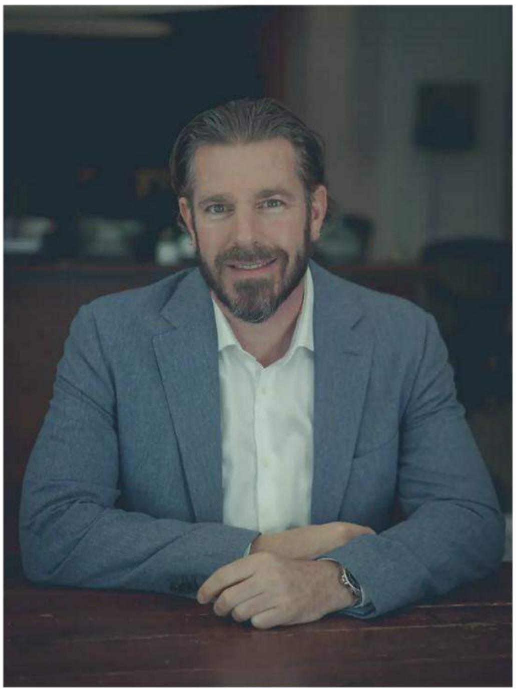
Academy for Investors' goal is to empower all private or professional investors to become better investors. More institutes might claim they have this goal for their clients. However, you need to have personally trained and coached thousands of investors to know how to best explain. We see the mistakes beginners make and the opportunities they miss. We know from experience what makes a good trader and what it takes to become a better investor.

Our combined experience of 60 years working with private investors forms the basis of these courses. The teachers of this course and myself have gained experience working for over 20 years at the industry-leading BinckBank and Saxo Bank. Become a better investor and enjoy the journey!

Kaspar Huijsman
Founder Academy for Investors
CEO of Hugo Investing
Former CEO Saxo Bank & BinckBank Spain



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1. History of the stock market

The first company that issued shares was the United East India Company (VOC) in 1606. The shares were registered for more than 6 million guilders, a huge amount for that time. These shares were issued to provide finance to equip the first ships that sailed to the East.

Stock exchanges are not just marketplaces where people shout and try to make money. They represent free markets, many times you see those buildings which house stock exchanges become symbols of capital markets. You see many times that a stock exchange's health also represents the situation of a country's financial situation.

The buildings where stock markets are located are many times in prominent locations in prime cities, the largest stock exchange in the world you can find on Wall Street, New York, founded in 1817. The London Stock Exchange is also a larger stock exchange that can be found since 1801 on Paternoster Square.

The oldest stock exchange in Asia is founded in India being the Bombay Stock Exchange since 1875.

2. What is a stock?

Stocks, shares, equities what is the difference? In general, "stocks" and "equities" describe ownership in companies in general, while "shares" refers to the specific units of ownership you hold in a particular company. "Stocks" is a more commonly used term in the U.S., whilst "shares" is used more in the U.K. and Commonwealth. We will use both terms interchangeably throughout this program.

To summarise, a company can opt for a listing through the stock exchange, the stock of the company gets a listing. Companies issue shares or stock to raise capital to operate their business and grow them.

Shares are bought and sold mainly on regulated liquid markets around the world. Governments implement regulations to protect investors from fraudulent practices. You as an investor can buy shares of that stock.

The most important characteristic is that you obtain a piece or "slice" of ownership when buying shares. A shareholder is not entitled to sell items owned by the company in case he needs money, he is only entitled to sell his shares so as a shareholder you have limited rights. The most important right is to benefit from a company's profit growth.

3. Why should you invest in stocks?

Investing in stocks is can have various rationale, however, the most important reasons are yield and capital growth. However, there are many more reasons people buy or own stocks, such as speculation on those stocks and affinity towards those companies.

In general, we dare to say that shares have outperformed most other investments on the long run. When you buy shares, you own a piece of a corporation and depending on the type of stock you bought you may have the right to claim part of the assets and earnings of the company.

Stock owners (shareholders) do not own the company, like with a private company. A company for example owns an office or a building or chairs and tables these items do not belong to the shareholders. This distinction is important because imagine this: if a shareholder goes bankrupt, he can never sell the ownership of the company to pay of his/her creditors.

Another important reason for people to invest in stock or shares is the high levels of liquidity in most markets. Basically, buying stocks enables you to sell your investment on a daily basis; imagine that when you invest in bricks and mortar, selling real estate can be a pretty difficult task.

Also, investing in stocks is subject to very low costs, investing in shares costs you on average between 0,06 and 0,10% per annum. Compare that with lawyer-notary costs when investing in real estate you are talking about almost 10-20%.

Participating in the company' s profit is the foundation for the value of a stock. The more shares you own, the larger the portion of the profits you get. The profit of the company is expressed in dividends. For most shareholders, not being able to manage the company isn't such a big deal.

Over the long term investing in shares provides the highest potential returns, no other form of investment tends to perform better.

Also, it is important to mention that investing in stocks allows you diversify your investments, big time. Imagine with €10,000 you can own all German automobile builders and maybe even add Tesla.

3.1. Yield

Let us look at an example of a yield calculation:

- To buy 100 stocks in ABC company at €10 you need 100 x €10, which is €1000. If the price of the stock goes up or down this results in a profit or loss, respectively. So, if the price of the stock ABC goes to €11 you can sell the stocks for €1100, with your profit in that case being €1100 – €1000 = €100. Your yield in this case on your initial outlay will be 10%.

- When you buy share of a company you become an owner in the company and therefore you become entitled to a part of the earnings of that company. Those earning are called dividend and will be treated later on this module.

3.2. Speculation

Speculating on the stock market means making investment decisions without deeply analysing a company's fundamentals (such as the information in its financial statements), often acting instead on rumours, short-term news, market momentum, expectations about upcoming events that will impact the firm, anticipated announcements (e.g. earnings), sudden market trends, or the hope of quick price movements rather than long-term business performance. Investors may speculate based on their future outlook on earnings growth even if the trend is not yet apparent in the firm´s financials.

Some might call this gambling.

3.3. Affinity

This might not be the most common reason to invest in stocks but some people do like to own stock of a company they have affinity with. Think about for example when you work for a publicly listed company, or maybe you really like a specific sports brand, or for example you are very keen about a certain type of beer. Investing in stocks enables you to own a little part of your favourite brand or technology and allows you to benefit from possible gains.

But this is not always the wisest investment choice, as you will see later on in this module, sometimes a company you really like can do really badly, and vice versa.

3.4. Historical Yield

As we explained to you before, yield is an important reason why people find their way to the stock market. Let us demonstrate you the different yields on different asset classes over the past century so you also have the confirmation for yourself that investing is a way to build your long-term wealth.

Stocks have outperformed all other types of financial securities and also the housing market over the past century. What is important is to always bear in mind the time-frame you choose to look at and your own time horizon when investing. Are you looking for short term gains or long-term wealth building?

If you would have invested $10 in 1928 then this would have been worth around $ 500.000 at this moment. If we compare this to having invested this in 10-year treasury this would have been worth only approx. $3000, on the high side.

What is important, is that a time horizon of 12 months may often mean a greater risk of losing money, but stretching this time horizon to 5 years, you are more likely to make money, and a 10-year period on average would have meant a 13% return. Generally speaking, the longer you hold stocks the more likely the optimal outcome for you.

4. How does the stock market work?

The stock markets work, basically, in the same way as any other market. It's a place where buyers meet sellers. It's a fully regulated market. It's a free market where everybody can buy or sell something, in this case shares. The market nowadays is completely digital and to access the market you have to do so by going through a member of the stock market. The stock market however also is a benchmark for the economic situation of the country.

In the past you had open outcry trading on the stock market on the trading ¨floor¨. Those times lie far behind us. But for interest's sake, the open outcry market has its own rules:

- Lifting your hand and showing the palm of your hand means you want to sell, alternatively if you are looking to buy you lift your hand without showing your palm.
- To communicate figures you use specific movements of your hand.

Nowadays, for a retail investor to trade on the stock market you need to access a brokerage firm. These firms have been granted membership on an organised exchange. In New York, for example, there are currently 1366 seats and it is limited to 1953. Because of the increasing globalisation of financial markets, many exchanges are establishing partnerships with other stock exchanges. The NASDAQ and NYSE, for example, have already established partnerships with other exchanges.

Nowadays, market are extremely regulated and controlled by supervisors around the globe. Basically, all trading is done via screens connected to vast server farms, and the vast majority of the trades are being handled electronically. Rather shockingly, nowadays, between 60 and 60% of share trades in developed markets are executed via algorithm - extremely powerful computer programs making a large number of orders in fractions of a second. It uses complex algorithms to analyse multiple markets and execute orders based on market conditions and statistical computations.

4.1. Stock Market Terminology

The stock market has its own language, and understanding the most common terms makes it much easier to follow financial news and investor discussions.

This list will not be exhaustive and we will stick to the basics:

- When someone is “bullish”, they believe prices will rise; when they are “bearish”, they expect prices to fall.
- A “rally” refers to a strong upward move in the market, while a “sell-off” describes a rapid drop caused by many investors selling at the same time.
- You may also hear phrases like “going long” (buying because you expect the price to rise) or “shorting” a stock (betting the price will fall).

- Some technical terms that are important is “volatility”, meaning how much and how quickly prices move; or “liquidity”, which indicates how easily a stock can be bought or sold without affecting its price

These expressions form the everyday jargon of the markets and help you understand the mindset and expectations of different investors.

4.2. Stock Market Indices

Equity (stock) indices (“indexes” is also grammatically correct in finance) track the performance of a selected group of stocks, providing a benchmark for the overall market or a specific segment.

There are many different stock market indices around the world, literally thousands, but the most important are the:

- S&P 500 (USA) – The 500 top stocks by market capitalisation in the U.S.
- Dow Jones (USA) – The 30 most important industrial shares from the New York Stock Exchange
- NASDAQ 100 (USA) – 100 tech-heavy IT and biotech shares
- Nikkei 225 (Japan) – 225 most important Japanese stocks
- FTSE 100 (UK) – 100 most important UK stocks
- DAX 30 (Germany) – 30 most important German stocks
- AEX 25 (Netherlands) – 25 most important Dutch stocks

An index’s methodology defines the rules for selecting, weighting, and rebalancing its constituent stocks to ensure consistent and transparent construction. Constituents are the individual companies included in an index, chosen based on criteria such as market capitalisation, liquidity, and sector classification. Recomposition (or rebalancing) is the periodic updating of an index to add or remove companies so it continues to reflect its intended market exposure.

4.3. Market Capitalisation

Market capitalisation (or “market cap”) is the value of a company calculated by multiplying the price per share and the total shares outstanding. You have large cap for companies with a market cap above $10 billion. If the company has a value between $2 billion and $10 billion it is called a mid-cap and below $2 billion it is called a small-cap.

There are different types of stocks based on their market capitalization: as a general rule, large-cap companies have a more stable income and therefore a less volatile share price. Small-cap shares, in general, might have unsustainable earnings and therefore, when looking for a compromise, mid-cap stocks are generally companies that can offer both growths and at the same time the stability of a large-cap company.

4.4. Initial Public Offerings (IPOs)

When a private company is looking to become a public company, this is done via an Initial Public Offering (IPO). This is the process by which a privately owned enterprise is transformed into a public company whose shares are traded on a stock exchange. After a private company becomes a public company it is owned by the public shareholders. Before the stock is issued an investment bank is hired to determine the value of the company and its shares before they are listed. All the shares together are called the float. The number of shares the company is authorised to issue is also called Authorised Shares, and this takes place when the company is first incorporated.

Participating in an IPO is not something you should focus on too much as it is often driven by larger institutional investors that trade the shares on the primary market. Thereafter, the shares are sold on the secondary market (the stock exchange) where they can be traded by the public.

The worst IPO ever was Pets.com the company got a listing in 1999, it was a typical example of a dot.com business model, they literally burnt the cash they raised on wrong purposes. They spent 7,30 USD for every 1 USD they earned. A more recent example was Groupon, they launched in 2008. Groupon initially rejected an offer of Google that valued the company at $6 billion. Groupon eventually got an IPO for a value of $12 billion, so far so good? However, Groupon’s sales and profit growth after its IPO and had been extremely difficult and the shares dropped in value dramatically. Returning to its IPO glory seems impossible.

Looking back, Mastercard had its IPO in 2006 when lending was super hot, and they had created perhaps the most lucrative business in existence. Its shares were listed initially at around $6 and nowadays are priced at $124,72.

The listing of a company on the stock market or exchange makes it publicly traded, and this helps to value it shares by the market through supply and demand forces, which are translated into the price by buying and selling activities of investors. However, often times, the share price decided by the institutional investors before an IPO can be either inflated or undervalued, as compared to the market price, which is discovered after the IPO day when the market has made its price correction.

4.5. Common and Preference Shares

Common shares are the standard type of shares most investors hold. They give you ownership in the company, voting rights, and the right to receive dividends if and when the company chooses to pay them. Your returns depend on both share price movements and any dividends declared.

Preference shares (or preferred shares) offer fewer or no voting rights, but they give investors priority over common shareholders when it comes to dividend payments and, in some cases, repayment if the company is liquidated. Dividends on preference shares are often fixed, making them act more like a hybrid between a share and a bond.

4.6. Corporate Actions

When you own shares, you have rights but you will also be subject to corporate actions. Corporate actions are events for the company that materially impacts its shareholders. Common corporate actions include the payment of dividends, stock splits, tender offers, mergers and acquisitions. We will not touch all these items here but will explain to you the most common corporate actions.

4.6.1. Emissions

An extra IPO or also called emission of shares basically means that a company gives out extra shares.

An emission has positive consequences, such as:

- Fresh capital and possibilities to invest for the company.
- It enables founders of the company to sell part of their ownership.
- It creates positive PR and media attention .

But also negative consequences, such as:

- It can be seen as a sign over weakness as the company needs extra capital to stay afloat.
- The company does not increase in value so the same ownership has to be spread over more pieces.

4.6.2. Stock Split / Reverse Split

A stock split is when a company increases the number of its shares by dividing each existing share into several new ones (for example, 1 share becomes 2, 5, or even 20). Although you now own more shares, the total value of your investment stays the same, because the share price adjusts downward proportionally.

Companies often do a split when the share price has become high and they want to make the stock more affordable and more liquid for investors.

A reverse stock split is the opposite, where the company reduces the number of shares by merging several shares into one (for example, 10 shares become 1).

This results in a higher price per share, without changing the total value of your investment. Reverse splits are often used as an accounting tool, for example to avoid being delisted when a share price has fallen too low.

4.6.3. Buybacks

The buy back of a share can occur when a company has extra cash on hand and is looking to retire their listing or cut down the supply of the stocks on the exchange. By doing this the value of the shares may increase further. A company usually buys back shares out of profit but can also take out a loan to fund the purchase.

A buyback has positive consequences, such as:

- Increasing the share price and can reward investors.

But also negative consequences, such as:

- Being perceived as a sign of weakness, in that a company cannot reward investors with its own performance increasing its share price.
- It can be seen that the retained profits or loan proceeds could more effectively be used for funding R&D projects, innovation, or expanding the firm´s operations.

4.6.4. Dividend

A dividend is a portion of a company's profits that is distributed to shareholders as a reward for owning the company's stock. Payment of dividends may be made out of the profit/earnings of the company being paid out to you as a shareholder. The right a shareholder has to a dividend and how much may depend on the type, such as common or preference shares, they own.

Dividend dates include the declaration date, ex-dividend date, record date, and payment date, which together determine eligibility and timing of the dividend payout.

When a dividend is paid, the share price typically drops by roughly the amount of the dividend on the ex-dividend date, reflecting the cash leaving the company.

Generally speaking, more mature firms with lower future growth potential distribute dividends to reward shareholders, in contrast to smaller cap firms who prefer to use the funds to invest in R&D and expansion.

5. Which shares should you buy and when?

Deciding what shares you should buy and when is maybe the most difficult decision you have to make. You can use a technical approach but also a fundamental approach. Everything with investing is related to buying something for a low price and selling it for a higher price. As an investor, you should not only look at the stock itself but also at your needs and requirements as an investor.

Just like an entrepreneur you should establish a business/investment plan allowing you to decide what and when to invest in. Let us explore what it means to invest.

6. Risk and Return

Risk and return go hand in hand, the most important levels on which you can diversify risks are on portfolio level and instrument level. A portfolio can consist of the same share composition however the performance can vary enormously as one stock when having a too large or too small exposure can seriously impact your return. Also, one stock is not the other stock and sometimes it is also necessary to have a long breath as your vision will not always come out directly after you have purchased your shares.

Risk can be measured singularly or at portfolio level. When you consider high-risk-high-return investments, you can apply the risk-return trade off to the vehicle on a singular basis as well as within the context of the portfolio as a whole.

Examples of high-risk-high return investments include options, penny stocks and leveraged exchange-traded funds (ETFs). Generally speaking, a diversified portfolio reduces the risks presented by individual investment positions. For example, a penny stock position may have a high risk on a singular basis, but if it is the only position of its kind in a larger portfolio, the risk incurred by holding the stock is minimal.

As a general rule, smaller cap companies have a higher risk and higher return, as they are growing and innovating but are also vulnerable, whereas large cap companies have lower risk and lower return, as they are more stable and have consistent profits, but have less potential for growth and huge returns for the investor. Therefore, a portfolio must be balanced by mixing a diversified set of companies of different capitalisations to suit the investors risk tolerance and vision.

That said, the risk-return trade-off also exists at the portfolio level. For example, a portfolio composed of all equities presents both higher risk and higher potential returns. Within an all-equity portfolio, risk and reward can be increased by concentrating investments in specific sectors or by taking on single positions that represent a large percentage of holdings. For investors, assessing the cumulative risk-return trade-off of all positions can provide insight on whether a portfolio assumes enough risk to achieve long-term return objectives or if the risk levels are too high with the existing mix of holdings.

7. Fundamental analysis

Fundamental analysis is an approach allowing you to decide whether you should or should not buy a certain stock. Fundamental analysis is a method of measuring a security’s intrinsic value by examining related economic and financial factors. It is a method to examine the financial data of a company in order to arrive at the true value which then identifies whether the stock is overvalued or undervalued.

Fundamental analysis is partially based on historic figures and partially on future estimations. It is very important to compare the right data with the right data and to not mix up different data as it will provide you with a misleading outcome.

In the following modules we will teach you key fundamental metrics and ratios that investors most commonly look at when evaluating a stock and determining its intrinsic value.

7.1. Earnings Per Share (EPS)

Earnings per share (EPS) is calculated by dividing a company's profit by the outstanding shares of common shareholders.

It shows investors the amount of a company's profits per each share outstanding.

7.2. Price to Earnings (P/E) Ratio

Dividing the share price by the EPS will give you the price-earnings (P/E), which can give you an indication of how expensive a share might be relative to its EPS.

A higher P/E ratio may indicate that investors are willing to pay a higher share price today due to growth expectations. A negative P/E ratio may imply the company is making a loss.

The average P/E ratio for the S&P 500 has historically ranged between around 13 and 15. P/E can be used to evaluate the price of a company's share relative to its industry or market peers to determine if it is relatively undervalued or overvalued by the market.

7.3. Dividend Yield

The previous ratio might seem abstract but as an advanced investor you should pay attention to these.

To calculate dividend yield all you have to do is divide the annual dividends paid per share by the price per share.

Higher dividend yields not always mean attractive investment opportunities because the dividend yield of a stock may be elevated as the result of a declining stock price.

When dividend for the year is not raised/lowered, the yield will rise when the price of the stock falls.

8. Technical analysis

Technical analysis, also called "Chartism", is the study of past market data, mainly price movements (price open, high, low, close, or "OHLC" data) and trading volume, using visual charts and statistical tools to help identify trends, patterns and key levels. Instead of focusing on a company's financial statements, technical analysis assumes that all known information is already reflected in the price, and that price movements tend to repeat, so we can use this behaviour to help time our buy and sell decisions.

Technical analysis in principle is based on the fact that all events in the world related to companies, the economy, the climate, or any other topic is visible in the price development of a stock or index. Technical analysis is on developing patterns looking for support and resistance levels and you can use technical indicators. Technical analysis has no predictable value however it can give you support and guidance on making your investment decisions.

The Chartist school of thought popular with high frequency traders that have shorter time horizons as compared to traditional investors.

8.1 Patterns and Indicators

In technical analysis we don't just look at price levels, we also look for patterns in the chart and use indicators to confirm what we see. Both are based on past price data and help us make more structured decisions about entry, exit and position size.

8.1.1. Chart patterns

A chart pattern is a recognisable "shape" in the price chart, created by repeated behaviour of buyers and sellers (for example an index opening several days in a row higher than the previous close, or a share testing the same low price three times).

Patterns can signal either a continuation (the trend is likely to continue) or a reversal (the trend may change direction). Classic examples are the head and shoulders pattern (often a reversal at the top of a trend) and the double bottom or "W" pattern (often a reversal from a downtrend back to an uptrend).

Patterns are only really useful if you combine them with a plan: where you enter, where you take profit if the pattern "works", and where you place a stop loss if the pattern fails.

We will dive deeper into the specific chart types and statistical analysis techniques in more detail in a later module, but for now we will discuss two common techniques.

8.2. Moving averages

A moving average smooths out the daily "noise" by taking the average closing price over a set number of days (for example 30 or 200 days) and updating it every day. Shorter moving averages (like 20 or 30 days) show the short-term trend, while longer ones (like the 200-day moving average) show the long-term trend of an index or share.

When the price is above its long-term moving average, the market is generally in an uptrend; when it falls below, it can signal a weaker or negative trend.

Crossovers between a short-term and a long-term moving average (for example the 50-day crossing above or below the 200-day) are often used as simple buy or sell signals, and moving averages can act as dynamic support or resistance levels.

In short, when the short term line touches and crosses to above the long term line, then that is a bullish (or buy) signal, and vice versa when the short term line touches and crosses to below the long term line, then that is a bearish (or sell) signal.

8.3. Relative Strength Index (RSI)

The Relative Strength Index (RSI) is a momentum indicator that moves between 0 and 100 and is usually calculated over 14 days.

In practice, values below 30 suggest the market is "oversold" (prices may have fallen too fast), and values above 70 suggest it is "overbought" (prices may have risen too fast).

Many investors use RSI as a confirmation tool: for example, a double bottom (W pattern) forming at a long-term support level and the RSI near 30 can strengthen the case for buying; a resistance level plus RSI near 70 can support the case for taking profit or reducing a position.

RSI is not a timing machine, it can stay overbought or oversold for longer than you expect, so it should be combined with other signals.

We will cover RSI in more detail in a later module.

8.4. Putting it together

In practice, many investors first spot a pattern (for example, a W pattern near support), then look at indicators like RSI and moving averages to confirm whether the timing looks attractive.

Patterns and indicators never guarantee the future, but they help you structure your decisions, manage risk with tools like stop losses, and combine technical timing with your fundamental view of the investment.

Both fundamental and technical schools of thought are utilised by investors and traders. They have opposing perspectives, but they can be used together to form a robust trading strategy. So to conclude our exploration of both fundamental and technical analyses, the following is important to contextualise both schools of thought:

"Fundamental analysis tells you what to buy and to sell. Technical analysis tells you when to buy and when to sell"

9. Orders

An order is an instruction that an investor sends to the market through your trading platform to buy or sell a financial instrument at a specified price or under certain conditions. It tells the broker what you want to trade, how much, and at which price or method of execution (for example, limit or market order).

Placing your order correctly might seem like something that is not worth mentioning in this reader but in practice also professional traders. It is known as "Fat Finger Trades" there a few funny histories we want to share with you and that will show you the importance of placing trades correctly.

In 2010 oil trader Steve Perkins went out for some golfing followed by some drinks when he got home, he decided to place some trades from his laptop. Mr. Perkins ordered seven million barrels of crude oil for around GBP 345 million, representing around 69 percent of global trading in oil at that moment.

Another story we want to share with you is the one of South Korea's Samsung Securities allocating 2.8 billion shares to the company's employees instead of giving them a dividend of 2.8 billion as intended. This was more than 30 times the number of shares Samsung actually had available; some employees started selling the shares quickly but fortunately enough only just a few.

When placing a trade on the stock market is you should carefully read the instructions in your trade ticket. Trading is extremely easy nowadays and a mistake is rapidly made! Things you should have a look at specifically are:

1. Do I want to buy directly in the market?
2. Do I want to place a limit order?
3. Am I going to place a take profit/stop loss order directly?
4. Am I going to place a day order or a longer-term order?

9.1. Order Types

Once you know which stock you want to buy or sell, you need to choose how your order will be executed. Order types help you control the price you receive, the timing, and the level of risk you are willing to accept. Below we explain the two most important and common order types used by investors, and another that we think is really useful to manage your risk.

9.1.1. Limit Order

A limit order allows you to set the exact price at which you want to buy or sell. For buying, your limit is the maximum price you are willing to pay; for selling, your limit is the minimum price you are willing to accept.

Your order will only be executed if the market reaches your limit price. This gives you full price control but no guarantee that the trade will happen immediately. Limit orders can be set as "day orders" (expire at market close) or kept open for longer periods until the price is reached.

Limit orders give you price control but no guarantee of immediate execution. New investors often prefer limit orders to avoid surprises, especially in volatile or thinly traded (illiquid) markets.

9.1.2. Market Order

A market order tells the platform to execute your trade immediately at the best available price. Essentially, you are buying at the seller's price and selling at the buyer's price. Although execution is almost always instant, the final price can be higher or lower than you expect, especially in markets with low liquidity or fast price movements.

Because you cannot control the price, market orders can result in unexpectedly poor executions, which is why platforms often issue a warning before you submit one.

Market orders guarantee immediate execution but offer no control over the final price.

9.1.3. Bid and Ask Prices

Every stock has a bid (highest price buyers are willing to pay) and an ask (lowest price sellers are offering).

If the bid is 10.05 and the ask is 10.10:

- A buy limit at 10.10 will execute immediately (you accept the seller's price).
- A buy limit at 10.06 will place you at the top of the bid; a seller using a market order will sell to you.
- A sell limit at 10.05 will execute immediately (you accept the buyer's price).
- A sell limit at 10.09 places you as the best offer; a market buyer will trade at your price.

If your limit is far away from the current market, you must wait until prices move towards your level.

10. Your Investment Plan

Before you start buying stocks, it is essential to have a clear investment plan. Just like starting a business or investing in real estate requires a structured proposal, investing in the stock market should not be done without preparation. After opening an account you are free to trade, but trading without a plan usually leads to emotional decisions and inconsistent results.

10.1. Why you need a plan

Your broker will ask basic questions about your financial situation and your risk tolerance, but this is only the starting point. A good investment plan goes further and defines how you will invest, where you will invest, and how much risk you are willing to take.

Think about which regions you want exposure to, which currencies you are comfortable with, and how much volatility you can accept. If you say you cannot tolerate a 20% drop, your plan must reflect that through tools like stop-loss orders or portfolio insurance.

10.2. Time commitment

Another important part of your plan is how much time you can realistically spend on your investments.

If you begin by checking prices daily or placing monthly trades but later no longer have the time, your portfolio decisions may become outdated or unmanaged. This mismatch can create problems, especially during fast-moving markets.

10.3. What happens next

Throughout this course we will guide you step by step to build your own personalised investment plan. By the end, you will know your preferred markets, risk limits, and the practical rules you will follow, giving you a structured and disciplined foundation for long-term investing.

We look forward to seeing you in the next module.

If you still have any additional questions, please reach out to us at: info@academy-for-investors.com.