# From Stocks and Bonds to ETFs and IPOs: An Essential Primer on Building Wealth


**Investing 101: From Stocks and Bonds to ETFs and IPOs, an Essential Primer on Building a Profitable Portfolio (Adams 101)** by Michele Cagan

4.6 out of 5

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Investing is one of the most important things you can do to build wealth. But it can be a daunting task, especially if you're new to the world of finance. That's why we've put together this essential primer on investing, covering everything you need to know about stocks, bonds, ETFs, and IPOs.

## Stocks

Stocks are one of the most common types of investments. When you buy a stock, you are essentially buying a small piece of a company. As the company grows and profits, the value of your stock will increase. Of course, the opposite is also true: if the company struggles, the value of your stock will decrease.

There are two main types of stocks: common stock and preferred stock. Common stock gives you the right to vote on company matters and receive dividends, while preferred stock does not. However, preferred stock typically offers a higher dividend yield than common stock.

When you're considering investing in a stock, there are a few things you should keep in mind. First, you should research the company to make sure it's a financially sound investment. Second, you should consider your investment goals and time horizon. If you're looking for a long-term investment, you may be willing to take on more risk. However, if you're looking for a short-term investment, you may want to choose a stock with a lower risk profile.

### Bonds

Bonds are another popular type of investment. When you buy a bond, you are essentially lending money to a company or government. In return, the company or government agrees to pay you interest on your investment and repay the principal when the bond matures.

There are two main types of bonds: corporate bonds and government bonds. Corporate bonds are issued by companies, while government bonds are issued by governments. Government bonds are generally considered to be safer than corporate bonds, but they also offer a lower yield.

When you're considering investing in a bond, there are a few things you should keep in mind. First, you should research the issuer to make sure it's a financially sound investment. Second, you should consider your investment goals and time horizon. If you're looking for a long-term investment, you may be willing to take on more risk. However, if you're looking for a short-term investment, you may want to choose a bond with a lower risk profile.

### ETFs

ETFs (exchange-traded funds) are a type of investment that tracks a basket of stocks or bonds. This allows investors to diversify their portfolios without having to buy individual stocks or bonds.

ETFs are traded on stock exchanges, just like stocks. However, ETFs typically have lower fees than mutual funds, and they offer more flexibility.

There are many different types of ETFs available, each tracking a different basket of stocks or bonds. Some of the most popular ETFs include the SPDR S&P 500 ETF (SPY),which tracks the S&P 500 index, and the iShares Core U.S. Aggregate Bond ETF (AGG),which tracks the U.S. aggregate bond market.

When you're considering investing in an ETF, there are a few things you should keep in mind. First, you should research the ETF to make sure it tracks the assets you're interested in investing in. Second, you should consider your investment goals and time horizon. If you're looking for a long-term investment, you may be willing to take on more risk. However, if you're looking for a short-term investment, you may want to choose an ETF with a lower risk profile.

### IPOs

IPOs (initial public offerings) are a way for companies to raise capital by selling shares of their stock to the public. When a company goes public, it sells a portion of its shares to investors in exchange for cash. The proceeds from the IPO can be used to fund the company's growth, pay off debt, or acquire other companies.

IPOs can be a lucrative investment, but they can also be risky. When a company goes public, there is no guarantee that its stock will increase in value. In fact, many IPOs end up losing value in the short term.

If you're considering investing in an IPO, there are a few things you should keep in mind. First, you should research the company to make sure it's a financially sound investment. Second, you should consider your investment goals and time horizon. If you're looking for a long-term investment, you may be willing to take on more risk. However, if you're looking for a short-term investment, you may want to avoid IPOs altogether.

Investing can be a great way to build wealth, but it's important to do your research and understand the risks involved. By following the tips in this primer, you can make informed investment decisions and start building wealth for your future.


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