



Tips for Online Investors

Nebraska
Department of Banking and Finance

Resources for Online Investors

The following resources may be helpful as you research investment products and services. Always consider the source of the information as you determine the accuracy and credibility of any information obtained online.

Investing Online Resource Center
<http://www.investingonline.org>

North American Securities
Administrators Association, Inc.
<http://www.nasaa.org>

U.S. Securities and Exchange
Commission Online Investor Education
<http://www.sec.gov/consumer/jneton.htm>

National Association of Securities
Dealers Regulation, Inc.
Electronic Investing Q&A
http://www.nasdr.com/2500_online.htm

Brought to you by:

The North American Securities
Administrators Association, Inc.

and

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The Internet: A New Tool for Financial Management

The Internet has become a round-the-clock source of financial products, services, and information. Electronic trading, or online investing, is also growing in popularity. As more investors explore the Internet for the purpose of personal financial management and investing, it is important to remember that it is just a tool. A working knowledge of basic personal finance, good decision-making skills, and an understanding of the potential risks are essential to investing, especially when investors enter cyberspace.

Before you invest...

Establish investment goals.
Know what you are buying.
Understand the risks.

Did you know...

There are 160 brokerage firms that offer online trading services?

Electronic trades made through online brokerage accounts represent about 25% of all retail stock trades?

Source: U.S. Securities and Exchange Commission

Invest Your Time
BEFORE Your Money

Top Ten Tips for Online Investors

- 1 Review all written material provided by the firm.
- 2 Recognize that, most likely, you are not linked directly to the market through your home computer and that the click of your mouse does not instantly execute trades or cancel orders.
- 3 Investigate advertised claims about the ease and speed of online trading with the firm. Ask questions about any discrepancy between these claims and statements in the written information provided by the firm.
- 4 Ask about (a) past website outages, delays, and other interruptions that affected the ability of clients to execute trades and the firm's response to such problems, and (b) alternative methods to place orders to buy and sell securities and obtain account information if you cannot access the firm's website.
- 5 Obtain information about the procedures for entering and canceling orders (market, limit, and stop loss) and the details and risks of margin accounts (borrowing to buy stocks).
- 6 Determine if the stock quotes and account updates you receive are real-time or delayed.
- 7 Understand the firm's privacy and security policies and determine if your name will be used for mailing lists or other promotional activities by the firm or any other party.
- 8 Obtain clear information about sales commissions, transaction fees, and conditions that apply to any advertised discount on commissions.
- 9 Know how to contact a customer service representative if problems occur. Request prompt attention and fair consideration. Be sure to keep good records to substantiate any problems that may occur.
- 10 Contact the Nebraska Department of Banking and Finance to verify the registration status and disciplinary history (if any) of the online brokerage firm, or to file a complaint, if appropriate.

The Online Investor

Developments in technology now allow investors to manage their own investments online, at virtually any hour of the day or night. While online trading can be a "hands-on" learning experience for investors, it may not be appropriate for everyone. Whether you manage your investments on your own via the Internet or by working in person with a broker or investment adviser, it is essential that you know what types of securities you are purchasing, how they meet your investment goals, and the risks associated with each investment.

Online Trading and the Short-Term Investor

Some investors use the Internet to trade frequently with the hope of profiting from a rapidly changing market. Although the possibility of quick profits may be alluring to some investors, this strategy can be risky. Market volatility, inaccurate information about anticipated changes in stock prices, and delays in the execution of online trades may lead to financial losses.

Online Trading and the Long-Term Investor

Investors can also trade securities online as part of a long-term investment plan. Some investors research securities and then place trades without any professional guidance. Other investors use the Internet to manage a few of their investments on their own and then consult a broker or investment adviser for help in managing the rest of their portfolio in person.