



Stock Basics 101: Types Of Stocks And How They Work

Stocks are a common investment tool that many people use to build wealth over time. But before investing in stocks, it is important to understand what they are, how they work, and the different types of stocks that exist. In this article, we will explore the basics of stocks and provide an overview of the various types of stocks that investors can buy.

How Stocks Work

A stock, also known as a share or equity, represents a unit of ownership in a company. When you buy a stock, you become a part-owner of the company, which means you have a stake in the company's assets and earnings. In return for this ownership, you may receive [dividends](#), which are a portion of the company's profits paid out to shareholders, and/or capital gains, which are increases in the stock's value that you can realize if you sell the stock for more than you paid for it.

Stocks are bought and sold on stock exchanges, which are marketplaces where buyers and sellers come together to trade stocks. The price of a stock is determined by supply and demand, with buyers willing to pay more for a stock if they believe its value will increase over time and sellers willing to sell at a higher price if they believe the value will decrease.

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