

Week #16 – Brokerage Accounts, Buying on Margin, and Shorting Stocks – Chapter 2

Hello, Everybody! Now that you have learned how to lose a great deal of money investing, uh, sorry, *speculating* in options and futures contracts, we are going to help you lose even more money by learning how to buy on margin and how to short stocks! We are also going to discuss brokerage firms and accounts. Why? Well, think about it. Ya's gots t' puts yer money somewhere, right? Or do you? Actually, you can forego brokerage firms entirely. Do you remember our discussion of Dividend Reinvestment Plans, a.k.a DRIPs, in chapter 5? We will revisit them again in chapter 2. Please get started on chapter #2, brokerage firms and brokerage accounts, buying on margin, and shorting stocks. Please remember that none of the calculations from the options, buying on margin, and shorting stocks worksheets will be on the final exam. (If it seems silly to be covering chapter 2 at the end of the semester, please know that I disagree strongly with the authors concerning their placement of the chapter 2 material at the beginning of the book. We need to understand our investments thoroughly *before* we purchase them, in my humble opinion.)

Speaking of the final exam, let us take a quick preliminary look at it. The final will have specific questions about options and futures, buying on margin, and shorting stocks. It will have just a handful of questions about the other investment alternatives that we will discuss next week. It will also include general questions about the rest of the semester and will include some of the most important calculations we have emphasized. (Yep, you guessed it! There will be at least one Constant Perpetual Growth Model calculation and one Discounted Cash Flow Model present value of a future stream of cash flows problem, just like the last three exams. There might even be some bond calculations that look similar to the exam #4 bond calculations. Hint, hint! Nudge, nudge! Wink, wink!) We will talk again about the final in detail next week.

We are almost at the end! The end of the semester can get very stressful. So you know what I am going to tell you, right?

Don't Give Up! *Never* Give Up!

Sincerely,

Frank Paiano

P.S. Please cover the chapter 2 material, brokerage firms and brokerage accounts, buying on margin, and shorting shorts. Please remember that you can always submit late assignments. There will be a penalty that grows proportionally as time goes by. I am very proud of all of you for sticking with the class and *never giving up!*