

## The Internet: A Tool for Financial Management

The internet has become a round-the-clock source of financial products, services, and information. Electronic trading, or online investing has become popular. 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.

Check out  
[www.investingonline.org](http://www.investingonline.org)  
for the following:

- Take the online investing quiz: Are You Ready?
- Try the account sign-up simulation so you will know what to expect
- Learn about 8 things you need to know before investing online
- Expose the myths about online investing
- Get ratings from industry experts for online brokerage firms
- Check out the online trading simulator
- Get the facts on after hours trading
- Learn about the real costs of day trading
- Link to the best resources on the web
- Access the online complaint center

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**  
[www.investingonline.org](http://www.investingonline.org)

**North American Securities Administrators  
Association, Inc.**  
[www.nasaa.org](http://www.nasaa.org)

**U.S. Securities and Exchange Commission  
Online Investor Education**  
[www.sec.gov/investor/pubs/onlinetips.htm](http://www.sec.gov/investor/pubs/onlinetips.htm)

**National Association of Securities  
Dealers Inc.**  
[www.nasdr.com/online\\_trading.asp](http://www.nasdr.com/online_trading.asp)

Brought to you by:

**State Corporation Commission**  
*Division of Securities*  
PO BOX 1197  
Richmond, Virginia 23218  
[www.scc.virginia.gov/srf/](http://www.scc.virginia.gov/srf/)  
800-552-7945 (in Virginia)  
804-371-9051 (Richmond area)  
804-371-9206 (TDD Phone)  
&  
North American Securities  
Administrators Association, Inc.



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## Get the Facts About Online Investing



**Virginia  
State Corporation  
Commission**

*Division of Securities*

## The Online Investor

Developments in technology allow investors to manage their finances 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 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 self-manage a few of their investments and then consult a broker or investment adviser for help in managing the rest of their portfolio.

## Online Trading and the Short-Term Trader

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, this strategy is risky. Market volatility, inaccurate information about anticipated changes in stock prices, and delays in the execution of online trades may lead to financial losses.

## Tips for Online Investors

The following tips were developed by the North American Securities Administrators Association, Inc. to educate investors and to help them think carefully about online investing.

**Before beginning an online investment program, be sure to:**

- 1 Understand** 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.
- 2 Determine** if the stock quotes and account updates you receive are **real-time** (as of the moment) or **delayed**.
- 3 Check** the online broker’s ability to get the **best price** for investors. Most brokerage firms provide this information on their website.
- 4 Receive** information from the firm to **substantiate any advertised claims** concerning the ease and speed of online trading.
- 5 Obtain** information about **entering and canceling orders** (market, limit, and stop loss), and the details and risks of margin accounts (borrowing to buy stocks).

**6 Get** information from the firm about significant **website outages, delays, and other interruptions** that may affect your ability to execute trades. Make sure that the firm has an alternative way to execute trades.

**7 Review** the firm’s **privacy and security policies**. Determine if your name will be used for mailing lists or other promotional activities by the firm or any other party.

**8 Receive 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 **Virginia Division of Securities** to verify the registration status and disciplinary history (if any) of the online brokerage firm, or to file a complaint, if appropriate.

