

## 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 percent of all retail stock trades?

Source: U.S. Securities and Exchange Commission

## Resources for online investors

**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 &  
Exchange Commission  
Online Investor Education**  
[www.sec.gov/investor.shtml](http://www.sec.gov/investor.shtml)

**National Association of Securities  
Dealers Regulation, Inc.**  
[www.nasdr.com](http://www.nasdr.com)

## For more information

### Secretary of State Illinois Securities Department

Jefferson Terrace, Ste. 300A  
300 W. Jefferson St.  
Springfield, IL 62702  
217-782-2256

69 W. Washington St.  
Ste. 1220  
Chicago, IL 60602  
312-793-3384

800-628-7937 (toll free)  
888-231-1175 (Spanish line)

[WWW.CYBERDRIVEILLINOIS.COM](http://WWW.CYBERDRIVEILLINOIS.COM)



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# Tips for Online Investors

JESSE WHITE  
Secretary of State

Illinois Securities  
Department

## The Internet: A tool for financial management

Electronic trading — or online investing — is growing in popularity. As more investors explore the Internet for 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 entering cyberspace.

## The online investor

Developments in technology 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.

**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, 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.

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

## Tips for online investors

1. Receive **full disclosure** about the alternatives for buying and selling securities and obtaining account information if you cannot access the firm's Web site.
2. **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.
3. Receive information from the firm to **substantiate any advertised claims** concerning the ease and speed of online trading.
4. Receive information from the firm about significant **Web site outages**,

**delays and other interruptions** that may affect your ability to execute trades.

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. Determine if the stock quotes and account updates you receive are **real-time or delayed**.
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 Secretary of State's Securities Department to verify the registration status and disciplinary history (if any) of the online brokerage firm or to file a complaint, if appropriate.

