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# Penny stocks getting started

Introduction to Penny stocks: Penny stocks are low priced speculative stocks and these stocks are traded in over the counter (OTC) market. As per SEC (The Securities and Exchange Commission of United States) the maximum price of the penny stocks is fixed at \$5.0 per share and in actual the price of these stocks are well below and sometimes a mere one cent. Although the penny stocks are commonly traded in the over the counter market, however these can also be traded at NYSE or NASDAQ.

How to start trading penny stocks: Although it is a common belief that the penny stocks are risky but at the same time as the share prices are generally low, the risk associated with penny stocks is also minimum. Many people see investing in penny stocks as an opportunity to learn share-trading techniques and at the same time not all penny stocks are risky. Although the investment in penny stocks may not substantially improve your financial condition, but the selected penny stocks may give you some profit.

If you have made your mind to invest a small amount of money in penny stocks, you will have to approach a trader or dealer for getting started. As per SEC (Securities and Exchange Commission of United States) guidelines you have to give a written request to the broker and after approval you may buy the stock from the broker. You should consult the trader and should invest carefully. Your broker will tell you the rate of the stock and brokerage.

Before investing in penny stocks contact to the Securities division of your state and get information about the broker. The history of broker provides important information about the license and disciplinary actions taken against the broker.

Once you have decided to deal with a broker, get all the information regarding the penny stocks, brokerage and other terms and conditions in writing from the broker. You should also keep the records of all the written documents provided to you by your broker. You should ask your broker to provide you the written documents mentioning the recommendation for buying or selling of any penny stocks. You should also take an independent opinion about the penny stocks from another broker and decide judiciously before making any investment. Your broker should also provide you a monthly statement mentioning the penny stocks held by you in your account and the rates of the penny stocks.

SIPC Coverage: Brokerage firms dealing in penny stocks will generally have SIPC (Securities Investor Protection Corporation) coverage. If the brokerage firm is unable to pay you your dues due to bankruptcy, the SIPC ensures that the customer owned penny stocks held by the brokerage firms are paid. SIPC insures the entire customer owned securities held by the brokerage firm, however in case of fraud, the insurer is not liable to pay the amount.

Summary: Although investment in penny stocks is not quick rich type of schemes but the investment in penny stocks may provide an opportunity to learn trading. You should take at least a second opinion about the specific company before investing in a penny stock.

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