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Penny Stocks: Are Penny Stocks Too Risky?

The term "high-risk investment" sounds scary, doesn't it? This phrase alone is enough to put many investors off. After all, no one wants to take a risk. The trouble with buying any kind of stock (high-risk or not) is that it's always a gamble. But how do you decide when a stock is just too high-risk, for you?

There is a lot of information floating around on the Internet about penny stocks. Almost everyone with an e-mail address has gotten spam at some time or another, touting a penny stock as the next great investment. Sadly, much of this information is geared toward scamming you in some form or fashion, and it's likely that you will lose all of the money that you put into the stocks advertised in this fashion. But that doesn't mean that all penny stocks are bad deals, that you will lose money every time, or that every single penny stock is a scam. In fact, far from it. Some penny stocks might be very good investments, indeed.

Penny stocks are affordably priced shares in companies or businesses that are considered "small," as opposed to big corporations. There are not many shareholders involved in penny stocks, making them less "liquid" than many other types of stock. The goal of investing in penny stocks is to part with very little money initially to enjoy a big return later on. Does it work this way? It does, sometimes, just not all the time. For those who know what they're doing when they're investing in penny stocks, they can be a great investment tool. Mastering the art of trading in penny stocks can be tricky, however.

For one thing, penny stocks don't trade on the major stock exchanges. Rather, penny stocks are known as "over the counter" investments, listed on Pink Sheets and the OTCBB. This makes penny stocks rather unique, and somewhat harder to find for many investors. Penny stocks also don't trade very regularly, so sometimes investors have very little time to act. Because trading does not occur often with penny stocks, there is always the fear of being unable to sell one's shares of penny stocks and winding up with a bad investment. This is all part of the risk of trading in penny stocks, and many investors think this makes the game all the more challenging. When you invest in penny stocks, you should receive monthly updates that let you know how your stock is doing.

So, are penny stocks too risky? The only person who can decide that is you. Some investors find that penny stocks aren't too risky, but others do. It's all a question of how much gambling with your money you want to do, how much you know about penny stocks, and how lucky you feel. If you think investing your money in penny stocks is a good idea, then it probably is. Everyone has a different opinion on penny stocks. Learn more about them, and form your own.

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