

# Stock Market 101

By Dicey Reeves

One of the problems with The Shoreline is that the thing has to be filled up every month. And I feel guilty (and you should too) over the fact that we leave 90% of the burden to too few unsung heroes – Bill White, Carolyn Rife, Bob Ruggiero, etc. (Not to demean all the other staff members who work hard and conscientiously – except me).

Accordingly, I am going to give you the benefit of some of my 83 years of accumulated wisdom or, if you prefer, folly.

I have always been a gambler and although I have been to many casinos I doubt that I have dropped a grand total of ten or twenty bucks in all of them combined. Nor have I ever bought a lottery ticket. Stated simply, I don't do sucker odds.

My casino is the stock market and the commodity markets. And while the money is important (very important), in my old age it is mostly the thrill of outsmarting the big boys, or maybe rolling the dice with them when they have a hot hand. One consistent hot hand is held by Warren Buffet, a true great man in a world too short of greats. He makes money for the sole purpose of giving it away to those who need it most. He has learned

the secret of true happiness: do what you love, make a difference in the world. He lives as simply as you and me. His one luxury is trading in his old junker for a new Cadillac a few years ago.

Here, then, are "Dicey's" (long ago my then five-year-old granddaughter wrote me as "Grandpa Dicey" and because my kids know of my gambling proclivities, it stuck) rules for the stock market.

1. Never use a broker for advice. There are good ones but they are rarer than nuns at a Madonna concert.

2. Use only deep discount brokers for trades. Think about this. Instead of giving a big brokerage house \$200 or more you can give somebody like Scottrade \$7 for a \$50,000 trade and a definitely better execution. Use limit orders. If you don't get an execution today, you'll probably get a better one tomorrow.

3. Marry your computer. It will give you the best advice in the world, mostly for free and it won't nag you to take out the trash.

4. Trust – but verify – your gut instincts. Gut doesn't mean emotion. It means knowledge, experience, reading the tape, timing.

5. Do your homework, a favorite phrase of another of my heroes, Jim Cramer of

Mad Money on CNBC. Cramer is best of the best and by his own admission, he is wrong almost as often as right. But, like the casinos, less than a 10% edge can make you rich.

6. Probably the most important rule is look for arcane, sophisticated trades that scare the pants off the average investor. It is precisely this fear that makes taking money away from the other guy like taking candy from a baby. This fear is well justified. Trading things like commodities, puts and calls and the like can wipe out a fortune in the blink of an eyelash. But if you can put in the time and effort my experience has told me that it is actually safer than my long-ago misplaced trust in brokers and Buy and Hold.

I don't want this to go on like a long, tedious sermon, so I'll close with three more last advices:

1. Look into visiting with Bogue Bankers, the PKS Ladies Investment Club. They've beat the market consistently and had fun doing it.

2. Watch Mad Money (if you can get by Cramer's nutty antics) on CNBC every weekday, 6 and 11.

3. And, some advice only for the very few with cast-iron stomachs and a lot of discipline, those who can lose a few

grand without losing sleep and without becoming compulsive, and most of all, without committing capital they can't afford to lose. Look into stock options. Here's one example. Eighty percent of all options expire worthless. Them's good odds. While a broker is persuading some poor sap to buy, say, ten options on a stock, his boss or firm is probably selling those same options. Guess what? At the end of 30, 60, 90 days, or whatever, he's got your money in his pocket, plus the large commission he's earned (?) from you.

If you can handle it, learn how to trade puts and calls and, perhaps commodities, especially if, in your earlier life, you gained some special knowledge of cattle, cotton, sugar, gold, silver or any of scores of other things the world needs and uses. Some day, probably sooner than later, something else is going to happen to shake up the world. Wouldn't it be nice to be sitting on some gold futures? Or to have a ton of orange juice if and when an early hard frost hits?

The opportunities are few and the risks are as great as those on the road to Baghdad. But if you can learn to gamble with house odds, you'll win more often than lose.

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