



## Making Your 1st Stock Investment

### Description

For investors making their first purchase in a stock, the experience can have a mix of emotions, like incredible excitement and paralyzing fear. The good news is, there is a first time for everything, and you will get through it. The bad news is, there is a first time for everything, and you will have to get through it.

For those about to pull the trigger for the first time, there are a number of things that can be done to make the experience a little easier.

One of the things new investors need to consider is the timeline for their investments. It is recommended that the time frame be measured in a matter of years when taking the leap into stocks. A longer time frame will allow investors to forgo the sense of urgency should the markets not cooperate in the way they had hoped for.

The second thing on the checklist is to do the proper research on the company whose shares we want to acquire. Investors need to understand how the revenues are generated and how the profits are made. If we do the research and the business or industry seems too complicated, then it may be a better idea to look elsewhere for an investment we feel more comfortable with.

The third thing we want to consider is the probability of success. As a new investor, it is a good idea to purchase a security that offers the high likelihood of positive reinforcement. Positive reinforcement translates to the receipt of dividends and capital appreciation over the long term — in other words, making a profit.

A way investors can put the odds on their side is by purchasing shares in a defensive company instead of a cyclical company. A defensive company is one which will experience only minor fluctuations in revenues and profits during good or bad economic cycles. Cyclical companies are the opposite. First-time investors may want to avoid investments which will experience significant declines in revenues and earnings during a slowdown in the economy.

Examples of defensive investments are companies such as **Empire Company Limited** ([TSX:EMP.A](#)) and **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)). Both companies operate in sectors

of the economy where consumers will not change their consumption habits in any major way regardless of the economic cycle.

Empire Company Limited is a grocery store chain currently offering investors a yield close to 2% in addition to the potential for capital appreciation. Algonquin Power & Utilities Corp. is a utility company which sells electricity to consumers. The yield on this stock is slightly under 5%, and year-to-date, shares have increased by over 12%.

While there are many other factors that first-time investors need to consider before taking the leap into the stock market, the factors presented in this article are an excellent starting point for those purchasing a stock for the first time.

As we say here at Motley Fool, stay Foolish!

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1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:EMP.A (Empire Company Limited)

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**Author**

ryangoldsman

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