Market Talks
EDUCATION CENTER

STOCKS · BEGINNER · LESSON 15 OF 15

Getting Started

A practical path from a written plan to a first trade: choosing a regulated broker, comparing costs, opening an account, practising and avoiding scams

13 min read 8 quiz questions with answer key

STOCKS · BEGINNER · LESSON 15 OF 15

Getting Started

IN ONE SENTENCE

Start with a short written plan, then choose a broker that is authorized by a regulator, checking it yourself on the official register. Compare total costs, including currency conversion, not just commissions. Open a cash account, sign Form W-8BEN if you are not a US person buying US shares, practise on a demo account, and make your first trade small, with a limit order. Watch for the warning signs of scams, and keep records of everything.

Start with a plan

This final Beginner lesson brings the track together into practical steps. Before you open any account, write down three things in a few sentences:

- **Your goal.** A home deposit in five years, retirement in thirty, or learning to trade with a small amount.
- **Your time horizon.** As Lesson 14 explained, money you need within a few years should not be in stocks.
- **Your approach.** Long-term investing in index funds, as in Lesson 13, active trading of individual stocks, or a mix with clear limits for each part.

Also check the basics from Lesson 14: an emergency fund in place, expensive debt under control, and only money you can leave alone for the plan's full time.

A written plan sounds formal, but it is your best protection against the most common beginner mistakes: buying because of a tip, selling in a panic, and putting too much into one idea. When you are unsure what to do later, you can read what you decided while calm.

Figure 1 shows the path from a plan to a first trade. The rest of this lesson follows it step by step.

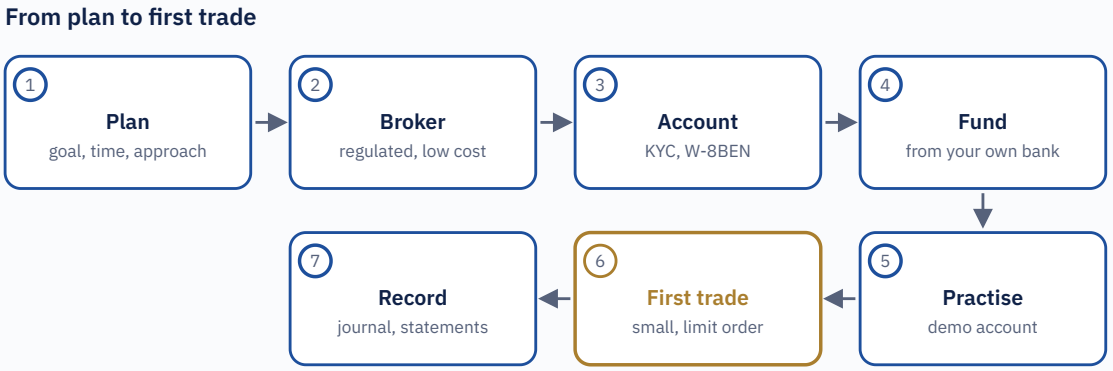


Figure 1. The path from a written plan to a first trade.

Choosing a regulated broker

A **broker** is the firm that holds your account and sends your orders to the market. Choosing one is the most important practical decision you will make, and the first test is simple: is the firm **authorized by a financial regulator** where it operates?

Every major market has a public register you can search for free, as Figure 2 shows. In the US, FINRA's BrokerCheck shows a broker's registration and any disciplinary history. In the UK, the FCA's Financial Services Register lists every authorized firm. In the EU, each country has its own regulator, such as BaFin in Germany or the AMF in France. In Australia, check ASIC, and in Canada, CIRO and the national registration search run by provincial regulators.

Check the exact name, address and website on the register, not just a similar name. The FCA warns that scammers often create **clone firms** that copy the details of real, authorized firms. If a firm calls you, hang up and call back using the number on the official register.

After regulation, compare the things that matter to you: which markets and products are available, total costs, how easy the platform is to use, the quality of support, and whether the broker offers fractional shares if you are starting small.

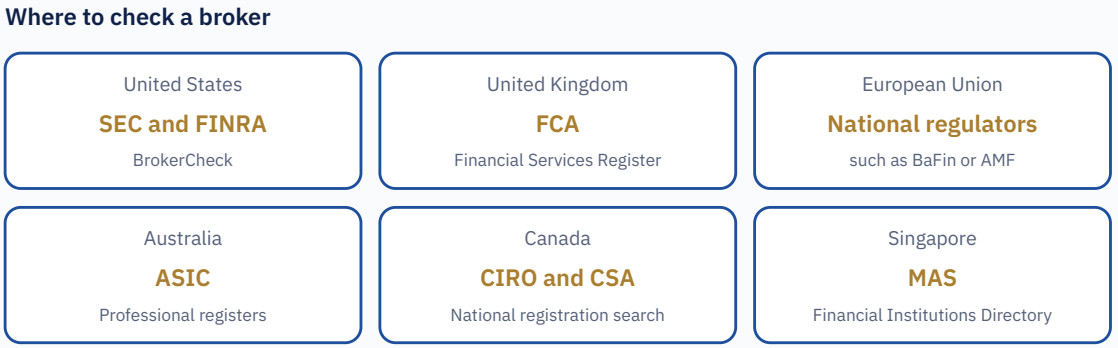


Figure 2. Check that a broker is authorized on the official register where it operates. These are some of the main ones.

How your account is protected

A regulated broker must keep client money and shares separate from its own. If the broker fails, client assets are not supposed to be used to pay its debts. Most countries also have a compensation scheme for cases where something is missing:

- In the US, **SIPC** protects customers of member brokers up to **$500,000**, of which up to $250,000 can be cash.
- In the UK, the Financial Services Compensation Scheme (FSCS) covers eligible investment claims up to a limit.
- In the EU, each country has an investor compensation scheme that must cover at least **€20,000** per investor. In Canada, it is CIPF.

It is important to understand what this protection does **not** cover. SIPC is clear that it does not protect against a fall in the value of your investments, losses from bad advice, or investments that become worthless. It is protection against a broker failing, not against the market. Other schemes work in a similar way, and many do not cover products such as crypto assets. A firm that is not regulated usually offers no protection at all.

Costs to compare

Many brokers now advertise zero commission, but every broker earns money somehow. Look at the whole cost, not just the headline:

- **Commission**: a fee per trade, fixed or a percentage.
- **Spread**: the gap between bid and ask from Lesson 6, paid every time you buy and sell.
- **Currency conversion**: if your account is in euros, pounds or another currency and you buy US shares, the broker converts your money, often with a fee of 0.25% to 1% or more each way.

- **Other fees**: account, custody, inactivity, withdrawal or data fees, which are listed in the broker's fee schedule.

Some zero-commission brokers in the US are also paid by market makers for sending them their customers' orders, which is called payment for order flow. That is legal there, but it is one more reason to look beyond the word "free".

Figure 3 compares two brokers for Emma, whose account is in euros. Broker A charges no commission but takes 0.5% on each currency conversion. Broker B charges $1 a trade but only 0.1% on conversion. For a $1,000 purchase and later sale of a US stock, the "free" broker costs more than twice as much.

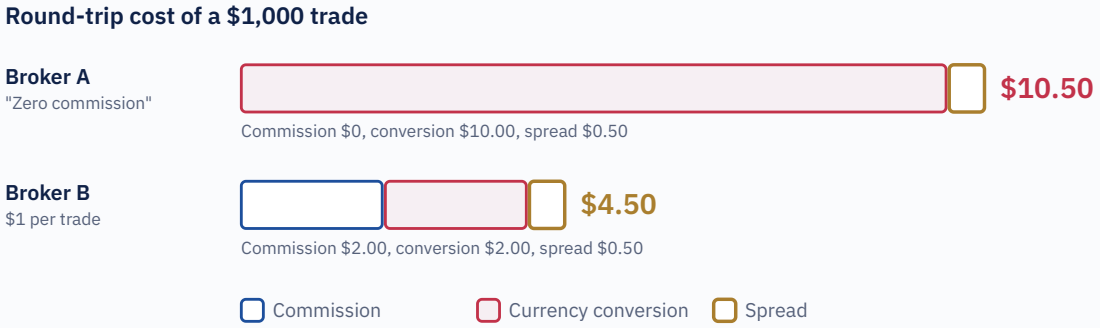


Figure 3. Emma buys and later sells $1,000 of a US stock from a euro account. The "free" broker costs more. Illustration only.

Opening an account

Opening an account is usually done online in less than an hour, although approval can take a few days. The main steps are shown in Figure 4.

- **Identity checks.** By law, brokers must **know their customer** (KYC). You will be asked for a passport or national ID card, proof of address and your tax number.
- **Questions about you.** Your income, experience and goals. Regulators require these so the broker can judge which products suit you. Answer honestly.
- **Account type.** Start with a **cash account**, where you can only buy with money you have. A margin account lets you borrow, which the Intermediate level covers. Many countries also offer tax-advantaged accounts, such as an ISA in the UK or an IRA in the US, which are worth looking into.

If you are not a US person and want to buy US shares, the broker will ask you to sign **Form W-8BEN**. It confirms to the US tax authority that you are not a US taxpayer, and lets you claim a lower rate of US tax on dividends if your country has a tax treaty with the US. Without it, US tax is usually withheld at the full rate of 30%. The form generally stays valid until the end of the third calendar year after you sign it, and many brokers remind you to renew it.

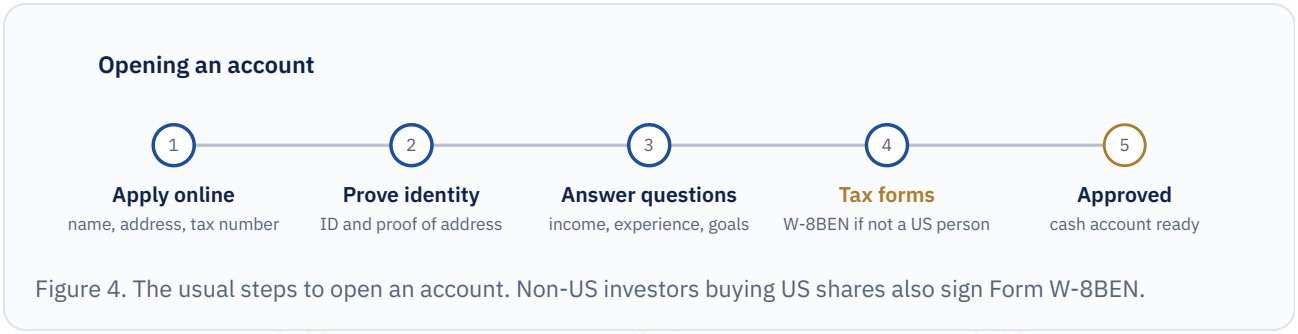


Figure 4. The usual steps to open an account. Non-US investors buying US shares also sign Form W-8BEN.

Fund it and practise first

Once the account is approved, you add money, usually by bank transfer. Send it from a bank account in your own name, because most regulated brokers do not accept money from third parties. Be very suspicious of any firm that asks you to pay into a personal account, by crypto or by gift cards.

Before risking real money, many brokers offer a **demo** or **paper trading** account with practice money. Use it to learn the platform: how to find a stock, read the quote, place a limit order, set a stop-loss and cancel an order. A mistake there costs nothing.

Paper trading has one big limit: it does not feel like real money. A practice loss of $500 does not hurt, but a real one does, and emotions change decisions. So treat practice as learning the tools, not as proof that a strategy works. When you move to real money, start small, with an amount you would not mind losing while you learn.

Your first trade

David has opened and funded his account, and after reading about Bright Bean he decides to buy a small position as a learning trade. He follows a short checklist:

1. **Check the quote.** The bid is $42.58 and the ask is $42.62, a normal spread for a busy stock.
2. **Choose a limit order.** As Lesson 7 explained, a limit order sets the highest price he will pay. He enters **Buy 5 shares of BRBN, limit $42.60, Day**.
3. **Check the size.** The order costs about $213, plus any commission, well within the risk he planned.
4. **Review before sending.** Buy, not sell. Right ticker, right number of shares, right price. Then he sends it.

The order is filled a few minutes later at $42.60. David receives a trade confirmation, and the shares appear in his account. If the price had not come down to $42.60 during the day, the order would simply have expired.

Many beginners make their first purchase a broad index ETF instead of a single company. The process is exactly the same.

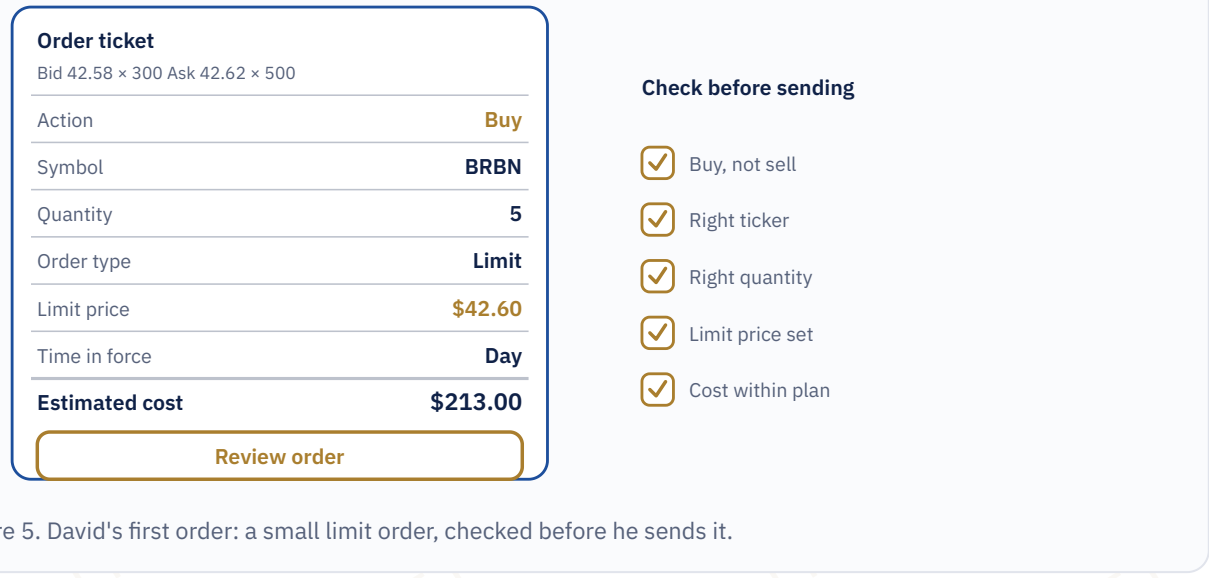


Figure 5. David's first order: a small limit order, checked before he sends it.

Avoiding scams

Investment scams are common, and they often target beginners through social media, messaging apps, dating sites and fake adverts that use famous people's faces. They share the same warning signs, shown in Figure 6:

- Promises of high, guaranteed or risk-free returns.
- Pressure to decide quickly, or "only a few places left".
- A firm that is not on the regulator's register, or that is based offshore with vague details.
- Requests to pay in crypto, to a personal account, or to install remote-access software on your computer.
- A "mentor" or new online friend who shows you large profits and wants you to join their platform.
- Being unable to withdraw your money, or being asked to pay a fee or tax before you can.

If you are unsure, stop and check the register. A real, regulated firm will never mind you taking time to check it.

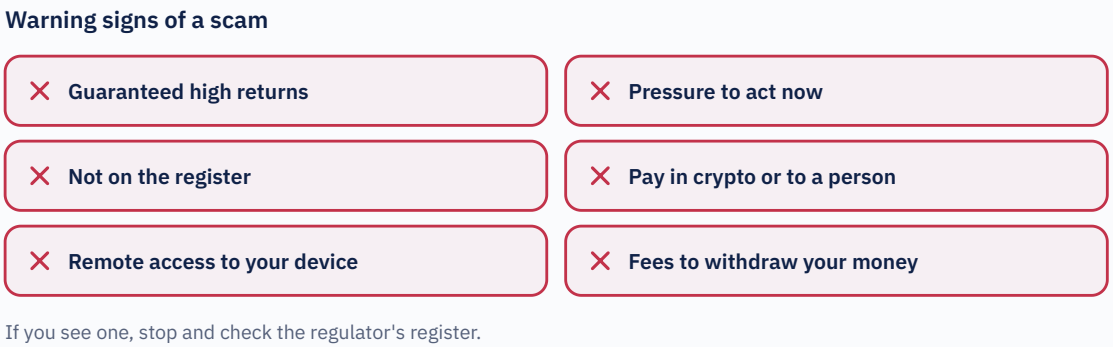


Figure 6. Common warning signs of an investment scam. One is enough to stop and check.

Keep records and keep learning

Keep the trade confirmations and yearly statements your broker sends. You will need them for taxes, which differ from country to country and often apply to both dividends and gains when you sell. A local tax adviser or your tax authority's website can tell you what applies to you.

It is also worth keeping a simple **trading journal**: what you bought, why, your plan for when to sell, and what happened. After a few months, the journal shows which decisions worked and which mistakes repeat. Professional traders review their journals regularly.

This completes the Beginner level. You now know what a stock is, how markets and orders work, what moves prices, how funds work and how to manage risk. The Intermediate level goes deeper into reading financial statements, valuing companies and planning trades with charts.

Why this matters for traders

- **Your broker is your infrastructure.** Reliable execution, fair costs and good tools matter more for active traders than for long-term investors.
- **Costs add up with activity.** A trader who makes hundreds of trades a year pays commissions, spreads and conversion fees hundreds of times.
- **Practise the mechanics.** Placing, changing and cancelling orders quickly and correctly is a skill. Learn it on a demo account first.
- **Journal every trade.** Recording the reason, the plan and the result is how traders find out whether they have an edge at all.

Key terms

Broker	The firm that holds your investment account and sends your orders to the market.
Regulator	A public body that authorizes and supervises financial firms, such as the SEC, FINRA, the FCA or ASIC.
Clone firm	A fake firm that copies the name or details of a real, authorized firm.
SIPC	The US body that protects customers of failed member brokers, up to $500,000 including up to $250,000 in cash.
KYC	Know your customer. The identity and background checks a broker must make when you open an account.
Cash account	An account where you can only buy with money you have, without borrowing.
Form W-8BEN	A US tax form that non-US investors sign to confirm their status and claim treaty rates on US dividends.
Paper trading	Practice trading with pretend money on a demo account.
Trading journal	A record of each trade, with the reason, the plan and the result.

Key takeaways

1. Write a short plan first: your goal, your time horizon and your approach.
2. Only use a broker authorized by a regulator, and check it on the official register yourself.
3. Compare total costs, including spreads, currency conversion and other fees, not just commissions.
4. Open a cash account, sign Form W-8BEN if you are not a US person buying US shares, practise on a demo, then start small with limit orders.
5. Avoid anyone promising guaranteed returns or rushing you, keep your records and keep learning.

Test yourself

Circle one answer for each question. The answer key with explanations is on the next page. You can also take this quiz online at markettalks.info and see your score instantly.

1. What should you check first when choosing a broker?

A Whether it is authorized by a financial regulator
B Whether it has the most adverts
C Whether it offers the highest leverage
D Whether a friend online recommends it

2. A firm calls you claiming to be a well-known authorized broker. What does the FCA advise?

A Give them your details if they sound professional
B Ask them to email you a link to pay
C Hang up and call back using the number on the official register
D Search for their name on social media

3. What does SIPC protect against?

A Falls in the value of your shares
B Missing cash and securities when a member broker fails
C Bad investment advice
D Losses on any crypto asset

4. Broker A charges no commission but 0.5% on each currency conversion. On a $1,000 buy and sell, what is the conversion cost?

A $0
B $1
C $5
D $10

5. What is Form W-8BEN used for?

A To open a margin account
B To report a scam
C To transfer shares between brokers
D To confirm you are not a US person and claim treaty rates on US dividends

6. Why should a beginner start with a cash account?

A. You can only buy with money you have, so you cannot lose borrowed money
B. It allows unlimited borrowing
C. It pays the highest interest
D. It has no fees at all

7. What is the main limit of paper trading?

A. It is illegal in most countries
B. It does not feel like real money, so emotions are different
C. It uses real money
D. It cannot show limit orders

8. Which of these is a typical warning sign of an investment scam?

A. A firm listed on the regulator's register
B. A written fee schedule
C. A promise of guaranteed high returns and pressure to decide quickly
D. A trade confirmation after each order

Answer key

1 A

Whether it is authorized by a financial regulator

Regulation comes first. Check the firm's exact details on the regulator's public register.

2 C

Hang up and call back using the number on the official register

Scammers often clone real firms. Call back using the contact details on the official register.

3 B

Missing cash and securities when a member broker fails

SIPC protects customers of a failed member broker, up to $500,000 including $250,000 in cash. It does not cover market losses.

4 D

$10

0.5% of $1,000 is $5 when buying and about $5 again when selling, so about $10 in total.

5 D

To confirm you are not a US person and claim treaty rates on US dividends

Non-US investors sign W-8BEN so that US tax can be withheld at the treaty rate instead of the usual 30%.

6 A

You can only buy with money you have, so you cannot lose borrowed money

In a cash account you cannot borrow. Margin, which adds extra risk, is covered at the Intermediate level.

7 B

It does not feel like real money, so emotions are different

Paper trading is great for learning the platform, but practice losses do not hurt, so it does not prove a strategy will work with real money.

8 C

A promise of guaranteed high returns and pressure to decide quickly

Guaranteed high returns, pressure, unregistered firms and requests to pay in crypto are classic warning signs.

SOURCES

- NASAA, How to check your broker or investment adviser: https://www.nasaa.org/investor-education/how-to-check-your-broker-or-investment-adviser/
- FCA, Warning List of unauthorised firms and advice on clone firms: https://fca.org.uk/scamsmart/warning-list
- SIPC, What SIPC protects: https://sipc.org/for-investors/what-sipc-protects
- IRS, Instructions for Form W-8BEN: https://www.irs.gov/instructions/iw8ben

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