

MoneySense

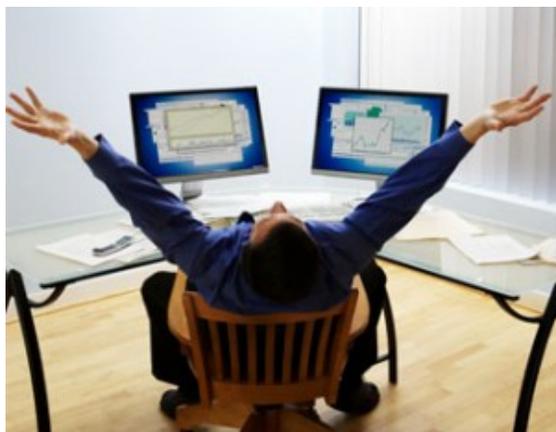
How to trade stocks online

Want to ditch your broker and start trading stocks online? It's convenient, easier than you think, and you'll enjoy dramatically lower trading commissions

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1. Open an account

First, set up an account with a discount brokerage, a service that lets you trade securities online, but doesn't give advice. These days commissions are similar at most of the big brokerages: expect to pay \$29 a trade if you have less than \$50,000 in your account. You'll pay less than \$10 otherwise. A couple of independents, such as Questrade, charge even less. To set up your account, you'll need to fill out some forms and send in a void cheque to link your brokerage account with your bank account.

2. Practise your trading

Take advantage of the free seminars, videos and articles that discount brokerages offer to their clients. Rick Robertson, associate professor at the Ivey School of Business, recommends trying the trading simulators. These demos use play money, so you can learn to trade without risk. Stick with shares from large companies at first, and trade "board lots" of 100 shares each, as these are easier to buy and sell than odd lots of shares from small companies.

3. Time to buy

When you're ready to buy, type in the ticker symbol of the company and specify the exchange it trades on. Select "buy" and "market order" to buy stocks at the current price, and enter the number of shares you want. An order preview will show you the estimated cost with the commission. Then you'll get a confirmation with your order status so you can tell if the order was filled.

4. Understand the price

Stocks are quoted with two prices: the bid price and ask price. The bid price is the highest amount a buyer is willing to pay for a given stock, while the slightly higher ask price is the lowest amount a seller will accept. If a company's stock is traded frequently, the difference (called the "bid-ask spread") should be only a few cents. Remember that market orders will be filled at the current price, and since prices change every few seconds, your final cost may vary somewhat from the estimate.

5. Advanced orders

Once you're fairly comfortable trading, you may want to explore more advanced options. A 'limit order' allows you to specify the price you're willing to pay. For example, say you want to buy 100 shares of XYZ Corporation, but you don't want to pay more than \$20. If you place a limit order at that amount, it won't be filled until the price drops to \$20 or less. Similarly, a 'stop loss order' can be used to automatically sell your stock if it dips below a specified price, allowing you to lock in gains. But take the time to understand how stop loss orders work: if you're not careful, your shares could be sold at bargain-basement prices if the market suddenly plunges.