

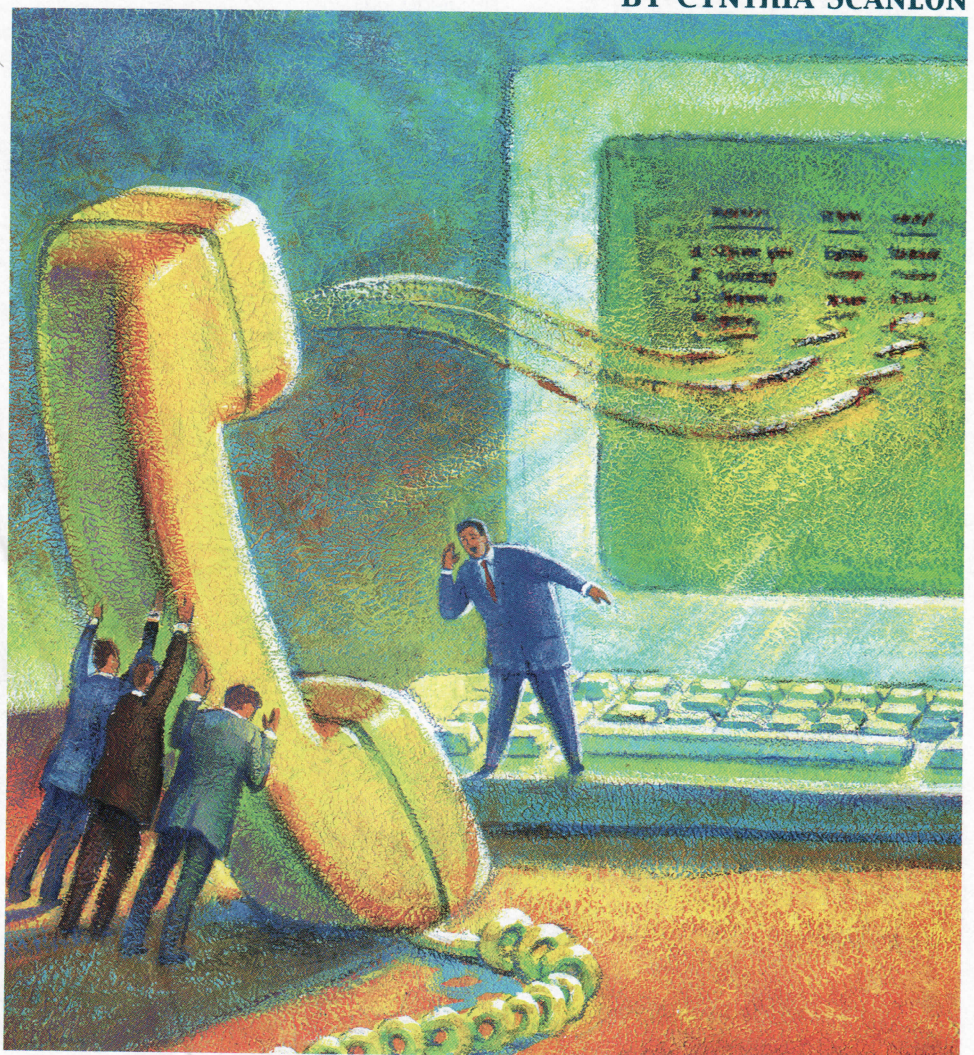
IN PC WE TRUST

INVESTORS JUMP INTO INTERNET INVESTMENT

BY CYNTHIA SCANLON

SO YOU'VE HEARD ABOUT INDIVIDUALS BUYING STOCK IN UPSTART COMPANIES

NO ONE HAS EVER HEARD OF AND MAKING MILLIONS OVERNIGHT. SOMEHOW, YOU FEEL YOU ARE STANDING ON THE SIDELINES WHILE THE GRAVY TRAIN PULLS OUT. BUT BEFORE PLUNKING DOWN YOUR HARD-EARNED DOLLARS ON WHAT MAY BE AN ELECTRONIC INVESTING WHIM, EDUCATING YOURSELF ON THE INS, OUTS, RISKS AND REWARDS OF INTERNET INVESTING IS IN ORDER.



Kathy Sederholm, senior vice president for Charles Schwab, says most everything can be purchased over the Internet that can be purchased at a brokerage firm, including stocks, mutual funds, options, certificates of deposits, money market funds, IRAs, bonds and treasuries. But not all companies will do all types of trading, so you'll want to check with your on-line firm and ask questions.

Once signed on, most legitimate brokerage Web sites will offer you abundant stock market information ranging from analyst reports, corporate and Securities and Exchange Commission filings, stock and mutual fund quotes, news releases and current financial stories in the press. "Just about anything you could imagine you'd need on a research level is at your fingertips, where it was not before," says Sederholm.

But, as Pat Rile, senior vice president and resident manager for Everen Securities, a full service brokerage firm, points out, having the ability to trade on the Internet does not necessarily make an investor knowledgeable. "You can go on the Internet and buy anything you want. The question is, what are you going to buy?" he asks. "What do you want to own and how much risk do you want to take? Our business is evaluating risks for clients, helping them understand the risks and helping them choose the investments that are consistent with the risks they are comfortable taking."

Craig Johnson, vice president of Minneapolis-based U.S. Bancorp Piper Jaffray Portfolio Strategy Group, adds, "A lot of investors who are trying to day trade or play on the Internet are not spending the time doing their research to figure out what they should or should not be buying."

To this end, his company has put together a detailed pamphlet called "The Internet: An Investment Primer" to assist both clients and brokers better understand Internet investing. "A lot of investors are not skilled or schooled in determining what their true level of risk is. Most investors I have spoken with are more concerned with how much money have I made and how fast, not how much money have I made at what amount of risk."

In July of this year, day trading—where investors jump in and out of stocks on a daily, sometimes hourly and split second basis—unwittingly became the center of attention when Mark Barton went on a shooting rampage in Atlanta. Reportedly distraught over losing nearly \$500,000 in day trading activities, including losses of \$105,000 in his final month, Barton opened fire on two Atlanta day trading companies, killing nine people. Some of

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those killed were colleagues who had lent Barton money with which to trade.

Barton also killed his wife and two children before turning the gun on himself. Shortly after, the North American Securities Administrators Association (NASAA) released a report showing 70 percent of day trading customers lose money and less than 12 percent are able to trade profitably.

"Day trading is a not responsible activity in most cases unless you understand exactly what you are doing on a day-to-day basis," says Sederholm. "There are people who are very, very market savvy that absolutely stay away from day trading."

Johnson also warns that most day traders today are highly leveraged, but don't have the background, training, or discipline it takes to succeed in this risky area of stock market

those goals and pursue a sound investing plan, Charles Schwab will be conducting seminars on investing on the Internet over the coming months in the Valley and across the country. "We're here to educate the public," says Sederholm. "They become our customers if we do it right."

If investing on the Internet sounds like something in your future, Rile warns anyone thinking about opening an Internet account work with a reputable firm. Since much of your sensitive financial information will be on the account, you'll want to be in business with someone who is reputable and stable. "At some point down the line, we'll probably have some kind of snafu in that arena and some people are going to find out they were doing business with somebody who wasn't totally on the up and up," says Rile. "That

only is Internet investing here to stay, but it will grow more sophisticated. Traders will be able, she thinks, to utilize cell phones and other wireless communication devices to access the market. And all of this, she believes, is a real advantage to traders. "I like to see people have the ability to manage their money, to have access to research, and to be able to educate themselves to build their portfolios," she says. "The more control an individual has over their own livelihood the better. I like to know to where I'm at day-to-day and the Web provides me that."

Because of these changes, Sederholm says big, full service brokerage firms will have to change the way they do business as well. "The big difference between Schwab and a full commissioned firm years ago was price and the fact we didn't give advice," she says. "[Schwab] moved more into the advice mode. And, if you look at us now, the difference is in the Internet and delivery channels. Full service firms are going to have to change the way they do business and absolutely go our direction."

But Sederholm does not think that should pose problems, as long as an investing firm has its priorities straight. If done correctly, she sees firms and customers winning through a perfectly viable avenue. "As long as we as a company and other brokerage firms put the customer first in helping educate them on how to use the Internet responsibly in investing, it is a perfectly safe vehicle for them to use," she says.

What looks clear is that investing and the Internet will be partners for some time to come, especially with the economy stronger than ever. Rile reminds us of the prosperity this country has enjoyed, especially over the past few years. "In the investment business, the good old days are right now," he says. "Our business has doubled in the last three years."

He attributes this to higher discretionary income coupled with a strong economy. "We're in an as ideal economic environment as we've ever had, and the reflection of that is in the stock market," he says. "While it makes mistakes in the short term, in the long term, it's very accurate."

But all of this prosperity has not happened in a vacuum. Rile says the companies themselves should be the real driving force behind any investment activity "Look at the Intels and Motorolas and see how well run they are at providing quality goods and services," he says. "Do you think these companies will continue to get better and provide good services? The answer is, 'Yes, I think so.' In three to four years, they are going to be worth more than they are today."

AB

Cynthia Scanlon is a Phoenix free-lance writer.

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investing. "A lot of investing in the market is having a game plan and the discipline to stick with it," says Johnson. "The market is emotional and very psychological, and people get tied up into it. But a stock doesn't know who you are, nor does it care."

In day trading, Johnson warns that would-be traders should only use money that they can absolutely lose. "If the market swings, those people can profit nicely, or they can get crushed," he says. "If a piece of bad news comes out on a company, they can halve their net worth with the stock market opening. That's not investing, that's gambling and I think a distinction needs to be drawn."

He is emphatic: "The stock market is not a casino. We need to get back to the focus of our intent in investing. Are we here to try and speculate or are we here to truly invest?"

Sederholm can't stress enough the need for every investor to have goals, create an investing plan around those goals, and then stick with the plan and not panic, despite the occasional ups and downs that inevitably come with investing in the stock market.

To help people understand how to set

wouldn't surprise me."

Clearly, the advent of the Internet has changed the way many businesses operate, not just in the investing arena. For that reason, Johnson is currently concentrating on buying the stocks that provide the "picks, shovels and axes of the Internet."

He reasons the entire telecommunication infrastructure will be rebuilt over the next five to 10 years when we transition to overlaying our voice traffic onto a data network to accommodate higher speeds. To accomplish this, Web users are going to need more bandwidth, the amount of information that can flow through a channel. "Without faster bandwidth, the cool, fun applications people want to use can't happen," says Johnson.

For this reason, he is focusing on companies like Lucent Technologies and General Instrument. He does, however, point out that the best companies, in terms of providing the best applications and technologies for the Internet, have yet to go public. "It's still a wide open field," says Johnson.

For the future, Sederholm thinks that not