



INTEGER WEALTH GLOBAL

Stocks and Shares – A definition

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What is a stock.?

The terms “stock” and “share” are often used interchangeably or even combined to form the phrase “stocks and shares”. It can be argued that the term “stock” is a more American term for owning shares of a company. There’s a bigger difference than geography which we will get to later, but, saying “stocks”, “shares” or, “stocks and shares”, will usually not lead to embarrassment amongst the group of people you’re chatting with.

What is a share.?

A share is when you own a part of a company. There are two main types of shares investors can own, private and public.

Private and Public Shares

The key difference between the two is that public shares are listed on a stock market where investors can go buy and sell shares without too much hassle. Private shares on the other hand don’t offer investors the same luxury. Since they aren’t traded on a stock market, finding a potential buyer or seller can be difficult, which can cause an issue when things go wrong. Take Woodford’s flagship fund, the LF Woodford Equity Income Fund that invests in private shares, for example. All trading has been suspended and investors are unable to sell their holdings.

Sometimes private companies transform into public companies. When this happens shares of the company change from private to public. A typical transformation involves an initial public offering (IPO) where the private company will list its shares on a stock market, allowing all types of investors to buy and sell its shares with relative ease. For instance, in May 2019, the ride-hailing app, Uber, listed its shares on the New York Stock Exchange. Before the IPO took place, it would be nigh on impossible for your everyday investors to buy shares in the privately-owned Uber. However, now a public company, its shares are publicly traded on a stock market opening up accessibility to any investor with an online trading account.

Benefit of Owning Shares

Investors who look to hold shares in their investment plans are doing so with one aim: to make a profit. This can be done in two ways, either via capital gains or income.

We talk about capital gains when you’re selling a share that has increased in value. It usually occurs when the company is successfully growing its revenue and earnings, or when there is speculation.

Another way to profit from owning shares is by using them to generate an income. Some companies will pay what is called a dividend to investors who own shares in the company, also known as shareholders.



However, if you're looking for some financial swag when you're out with your friends, or at the dinner table with your family - you might like to argue that there is a difference between stocks and shares.

What is the Difference Between Stocks and Shares?

The key difference between the two terms lies in one subtle observation. The term stocks should be used when discussing ownership of companies in general, whilst the term shares is used to describe ownership of a specific company.

An investor explaining in general terms that they own an investment plan that holds a collection of stocks but does not reference any specific companies would be using the term "stocks" correctly.

If an investor, on the other hand, wanted to discuss the share price performance of Vodafone after its quarterly results were announced as well as the impact on their investment plan, they'd be right to use the term "shares"

Stocks or shares, as they are referred to in some countries have a varied amount of different types. There are:

- Growth Stocks
- Top Stocks
- Value Stocks
- Dividend Stocks
- Tech Stocks
- Investing Stocks

What Is a Stock Certificate?

A stock certificate is a physical piece of paper that represents a shareholder's ownership in a company. Stock certificates include information such as the number of shares owned, the date of purchase, an identification number, usually a corporate seal, and signatures.

The certificates are most often a bit bigger than a normal piece of paper, and most of them have intricate designs to discourage fraudulent replication and counterfeiting, which was a problem for much of the pre-internet history of investing in corporate stocks.

For the first 400-plus years of investing history, participating in an initial public offering (IPO) or buying stock often came with one of these physical stock certificates. The first stock certificate was issued in 1606 by the Dutch East India Company. It was worth 150 Dutch Guilder.¹

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Understanding Stock Certificates

Stocks are the foundation of nearly every portfolio, and they represent partial ownership in a company. Usually, the records of ownership are kept in electronic form, but you can request a paper version.

Each certificate starts as a standard design which might change throughout the years, then the date, identification number, and other information are added. Most signatures of executives are printed on the certificate, but some will be signed with a pen.

Today, securities are recorded almost exclusively electronically using a process known as book-entry form. Electronic methods eliminate the need to issue paper certificates to represent ownership.

With book-entry, ownership of securities is never physically transferred when securities are exchanged; rather, accounting entries are merely changed in the books of the commercial financial institutions where investors maintain accounts. This offers the benefits of any modern electronic record-keeping system.

Stock Certificates Before Electronic Record Keeping

Before electronic record-keeping was available, stock certificates were a unique piece of work in their own right. It was fairly common to receive a stock certificate adorned with fancy designs, ornate engravings, and approaching artwork in and of themselves.

For instance, Disney Corporation would design their stock certificates with full-color illustrations of their popular characters. In turn, parents would often frame a certificate and hang in a child's room as evidence saving for a rainy day works. In a sense, the complex designs found in many earlier stock certificates included what is known today as branding.

You may find an old stock certificate reproduction hanging in your local financial advisor's office today. This signals their long-term approach and commitment to responsible capital stewardship.

For any further information please contact us at info@integerwealth.global