

## ~ Mrs. McCarthy Buys Some Stock ~

Mrs. McCarthy looked at the window for the third time. "Bacon, White, and Maynard" read the large red letters painted on the window. And below that, in smaller letters, "Stockbrokers and Investment Counselors". Mrs. McCarthy looked through the window to the office beyond. It looked neat and businesslike. Some men stood in a group looking at a large blackboard that covered one entire wall. Others sat at their desks reading the daily newspaper.

"Should I go in?" she asked herself. She put her hand into her pocketbook and touched the \$100 she had just received from her late uncle's lawyer. That was her share of the money left in her uncle's will when he died. One hundred dollars. "That's two weeks' pay," she said aloud.



She remembered the talk she had with her son-in-law just yesterday. "Put your money in stock, that'll take care of your old age", he had told her. "But isn't that like gambling with the money?" she had asked him; "Won't hard times come and make me lose my money?" He had laughed at her. "This is 1928, everybody is getting rich in the stock market."

So here she was, outside the offices of Bacon, White, and Maynard, the brokers that had been recommended by the lawyer. She decided to go inside. "I might as well listen to what they have to say," she thought. She went to the door and explained what she wanted to the secretary. She was quickly shown to Mr. Maynard's desk.

"What can I do for you, Mrs. McCarthy?" Mr. Maynard asked her. She told him about the \$100 and her son-in-law's advice. She also told him that she was not sure that she was doing the right thing with the money. "You've done the right thing, Mrs. McCarthy. Your son-in-law has given you some good advice," Mr. Maynard said.



"What am I buying when I buy stock?" Mrs. McCarthy asked. "Let me explain," Mr. Maynard began. "When you buy a share of stock in a company, you are really becoming part owner of the company. You are providing the money the company needs to make more goods, build more plants, or make new products. In return you can have a voice in deciding who should run the company and how it should be run. At the same time, if a company grows your stock can increase in value and you can probably sell it later for a profit." Mr. Maynard also went on to explain that more than 70,000 people had invested in the stock market.

What is the stock market that you speak about?" she asked. "The stock market is a big building where stocks are bought and sold, but you can't go there yourself to buy or sell stocks. You must do it through a stockbroker. "If you want to buy stock you will tell me what you want. I will call one of my employees in the market and he will buy the stock at the best price he can get. When you want to sell, we will sell it for you." Mrs. McCarthy looked puzzled. "What happens if my stock is worth less when I want to sell it?" she asked. Mr. Maynard laughed. "Of course, there's always that possibility," he said, "but look at the past record, most stocks have risen in price since the early 1920's. Business has never been better. War has ended for good. Many stocks have risen more than 70 percent over the last two years. That means if you bought a stock today that sold for \$100, it might be worth \$170 in two years."

Mr. Maynard took her to the big blackboard. He pointed out different stocks. The numbers after the names changed often. He told her to watch one particular stock. It was marked FRD. "That's Ford Motor Company," he told her. As Mrs. McCarthy watched, the number next to Ford's name changed from 32 to  $32\frac{1}{4}$ , to  $32\frac{1}{2}$ , and then to 33. Mr. Maynard explained that stock in the Ford Motor Company had gone from 32 to 33 while she had been watching. "If you had bought 'one share' of Ford for \$32 when you first came in, it would have been worth \$33 now," he told her.

How many shares can I buy for \$100?" she asked, ready to buy the stock. "That depends on the stock you want," he told her. "If you wish, you can buy \$1,000 worth of stock for your \$100. The other \$900 that you owe will be taken out of your profits when the stock is sold. We call that buying on margin." "That's wonderful," Mrs. McCarthy said. I want to buy 30 shares of Ford stock." Mr. Maynard called the stock market and put in Mrs. McCarthy's order.

She paid him and got up to leave. "Thank you," she said to Mr. Maynard. "Thank you and welcome to our family. You won't regret putting your money into the stock market," he said. As she went to the door Mrs. McCarthy glanced once more at the blackboard. It read: FRD  $33\frac{1}{4}$ . She walked into the sunshine, a smile on her face.

### **Reading Questions: Use the story you just read to answer the following questions.**

1. What are you buying when you buy a stock?
2. Who helps people buy and sell stocks?
3. Where are stocks bought and sold?
4. What do companies do with the money investors use to buy stocks?
5. What happens if the price is lower than what I bought it for when I want to sell it?
6. What is buying on margin?