SEVEN KEYS to SEVEN FIGURES

How to Achieve Independence ... on Your Terms
## Contents

**Introduction**

**Chapter 1**  
How to Choose the Right Broker  

**Chapter 2**  
Stocks 101  

**Chapter 3**  
The Basics of Options Trading  

**Chapter 4**  
Uncovering Hidden Opportunity in Stock Screens  

**Chapter 5**  
The Basics of Shorting the Market  

**Chapter 6**  
Income on Autopilot  

**Chapter 7**  
Cryptocurrency Basics  

Getting Started on Your Path to Complete Independence
There’s a lot of noise in the world today. Everyone — from the mainstream media to the big brokers on Wall Street — wants to tell you what to do with your finances. But it’s painstakingly clear that these big, once-trusted institutions don’t have your best interests at heart.

At Seven Figure Publishing, we aim to deliver you independence from strongholds in the market… on your terms.

Finding you financial freedom is important to us. That’s why we aim to deliver you top-notch market research you can put into action to take hold of your own financial stability and future.

We know that by giving you the tools you need to feel financially secure — we can help you gain the knowledge you need to survive any market.

But not everyone knows where to start — which is why we created this guide for you.

Whether you are brand new to the markets and need help getting started or a seasoned vet who wants to dive into a new arena like options or cryptocurrencies, we want to provide you with the resources to succeed.

As always, we are here to help you learn even more along the way. We want you to achieve independence… on your terms.

If you have questions for us, you can call our dedicated reader help line at 844-370-6637. Or write to Feedback@SevenFigurePublishing.com

Thanks again for putting your trust in Seven Figure Publishing. The journey to independence on your terms starts right here.

Thank YOU!

Jessica Comitto
Vice President of Member Experience
How to Choose the Right Broker

What most people don’t realize is making money with stocks is about more than just buying and selling at the best prices.

Yes, that’s a big part — but there’s another side to investing that most people overlook...

Say you buy 500 shares of a $1 stock. Then six months later, it jumps to $2, so you decide to sell. That’s a quick double, right? Not really. In fact, your total gains could be anywhere between 88–98%.

The difference depends on how much commission you had to pay to make each trade.

Commission is the money you pay to your broker to execute a trade. That means you owe him money every time you buy or sell a stock.

Yep, he gets you coming and going.

But not all brokers charge the same commissions. And shopping for the best deal can have a big impact on your bottom line. For stock investors, a good broker is an absolute must.

Luckily, there have never been more options for investors. This is both a blessing and a curse: Prices are lower and investor services are more
personalized, but there is much more information to digest before making a decision. Read this before investing your hard-earned money and do some of your own research. You can’t afford to take chances on the wrong broker.

We’ve designed this guide to give you a head start — comparing commissions, fee structures and balance requirements.

Please remember this guide is for information purposes only — and it’s just your first step in choosing a broker. We do not favor one broker over another, and it’s up to you to decide which one meets your needs.

Don’t simply choose the one with the lowest price. You may discover it is worth paying a little more. Here are a few questions you may want to ask a broker before making your decision:

- Do they have 24/7 customer service?
- Are the broker’s trading accounts insured by the Securities Investor Protection Corp. (SIPC)?
- How is the frequency of your trading habits going to affect your account and your costs?
- How much will it cost to place an order with a live broker?
- How long will it take for your order to be executed?
- Can you earn interest on cash that is not invested?
- How much independent research will you have access to?
- How easy is it to trade OTC or penny stocks?

Finally, while every effort has been made to keep our information as up-to-date as possible, prices and other data are subject to change. So make sure to check before you sign up with any broker.
Ally
Website: www.ally.com/invest
Commissions: $4.95 per trade*
Account Minimum: None
*Add one cent per share for stocks under $2.00.

Charles Schwab
Website: www.schwab.com
Commissions: $4.95 per trade
Account Minimum: $1,000.00

ChoiceTrade
Website: www.choicetrade.com
Commissions: $5.00 per trade*
Account Minimum: None**
*Add $2.00 per trade for Bulletin Board and OTC markets.
**$500.00 minimum cash balance required for Bulletin Board and OTC stocks.

E-Trade
Website: www.etrade.com
Commissions: $6.95 per trade
Account Minimum: $500.00

Fidelity
Website: www.fidelity.com
Commissions: $4.95 per trade
Account Minimum: $2,500.00

Firstrade
Website: www.firstrade.com
Commissions: $2.95 per trade*
Account Minimum: None
*Add $0.0005 per share for stocks under $1.00.
Just2Trade
Website: www.just2trade.com
Commissions: $2.50 per trade*
Account Minimum: $2,500.00
*Add $0.003 per share for stocks under $1.00. Minimum commission $2.50, max $5.50.

PennTrade
Website: www.penntrade.com
Commissions: $19.95 per trade*
Account Minimum: $1,500.00
*$34.95 per trade for OTCBB and Pink Sheets stocks.

Robinhood
Website: www.robinhood.com*
Commissions: Free**
Account Minimum: None
*Need to download the app.
**Has advertisements.

TD Ameritrade
Website: www.tdameritrade.com
Commissions: $6.95 per trade
Account Minimum: None

Trading Direct
Website: www.tradingdirect.com
Commissions: $10.95 per trade*
Account Minimum: $500.00
*For stocks less than $1, there is a $19.95 charge.
A Final Word

I cannot stress this enough: Before you open any brokerage account, you should do research on your own.

Competition among discount brokers has resulted in lower prices and more possibilities for investors. Brokers are now providing a wider range of services based on the size and frequency of your investments.

Don’t be afraid to call and speak with a customer service rep. Many brokerages will try to get you to work through the company’s website, but that’s no good. Don’t open an account until all your questions have been answered. You have a right to speak to someone before giving a brokerage your money.
What exactly is a stock?

Also known as shares or an equity, a stock is a type of security that represents ownership of a company. Ownership is determined by the number of shares a person, or shareholder, has compared with the number of shares available. Owning a company’s stock gives the holder a claim to a part of the company’s assets and earnings.

Let’s break it down a bit…

Say the pizza pie below is a company. Each slice represents one share.

This “company” is divided up into 10 shares. You decide to purchase
one. This would represent a 10% ownership in the company. Someone else could decide to purchase five shares, representing a larger chunk of the company.

**Types of Stock**

There are two main types of stock: common and preferred.

Common stock gives the shareholder the right to vote in shareholder meetings and collect dividends.

Preferred stockholders do not have the right to vote but do have a higher claim to assets and earnings. They get dividends first and have higher priority if the company goes bankrupt — they get paid first.

While preferred shares have an added layer of security, common stocks historically outperform them.

**How Do Stocks Trade?**

Most stocks are traded on exchanges. Exchanges can be a physical place with a trading floor or virtual.

The purpose of an exchange is to enable the transactions between buyers and sellers while reducing risk.
You are probably familiar with some of the big-name exchanges like the Nasdaq and NYSE.

The NYSE — or “Big Board” — was created in 1792 by the signing of the Buttonwood Agreement in New York City by stockbrokers and merchants. It has stocks like Bank of America, Ford and Coca-Cola.

The Nasdaq is an over-the-counter or virtual exchange that holds a lot of technology companies. Companies like Apple, Comcast and Intel.

**What Makes Stock Price Change?**

The simplest answer: Supply and demand.

If there is a large supply and not a lot of buyers, the stock’s price is pushed lower. If there are a lot of buyers but not a lot of stock to sell, the price goes up.

The main theory behind the price movement of a stock is that it indicates how much people feel a company is worth. But a company’s value and stock price are not one in the same.

No one knows for sure why stocks go up and stocks go down. Different investors have different metrics they look at.

**So Is There a Stock Store?**

Not exactly…

Many everyday investors use a brokerage to facilitate the buying and selling of stock. There are full-service brokers where you can talk with someone about your trades. You can also use a discount broker where you can go to a website and place the trades yourself.

Some companies allow you to purchase stock directly from them through dividend reinvestment plans (DRIPs) or direct investment plans (DIPs).
Options. The mere mention of the word is enough to send a shiver down many investors’ spines.

But the fact is options aren’t so tricky once you understand them. And they can be your ticket to supercharge your investment gains if you play them right. Even better, your risks can be even lower than other types of investing.

An option, just like a stock, is a security.

The biggest difference between stock trading and options trading is what you’re trading.

Stocks shares, of course, represent part ownership in a company. When you buy a stock, you buy a part of the company. When you sell your stock, you give up that ownership.

Options are a little more complicated.

An option is a contract that gives you the right (but not the obligation) to buy or sell a stock at a predetermined price on a predetermined date.

A “call option” gives you the right to buy a stock, and a “put option” gives you the right to sell it.
First, let’s take a look at how options work — and how they’re able to boost your trading profits…

**Key Terms**

The predetermined price of an option is called a **STRIKE PRICE**, and the predetermined date is called the **EXPIRATION DATE**. Buying (e.g., “going long”) options limits your risk to your investment.

The “underlying” is the stock that the option gives you the right to buy or sell.

The option’s price — how much the owner pays for it or receives for selling it — is called the **PREMIUM**.

Buying a **CALL OPTION** gives you the right to buy 100 shares of its underlying stock.

Buying a **PUT OPTION** gives you the right to sell 100 shares of its underlying stock.

And selling options is the exact opposite of buying them — simple as that.

The cost to buy or sell an option fluctuates just like a stock price.

**Here’s an Example…**

Let’s say, for example, you buy a call option on General Electric with a strike price of $25 that expires in June. (I’m just using General Electric because it’s a stock everyone knows.)

With that option, you have the power to buy 100 shares of General Electric for $25 — no matter what the current share price is. The only hitch is that you have to **EXERCISE** your right to buy the stock by the June expiration date. After that day, your contract expires and you lose your rights to GE stock and the premium you paid for the stock.
A put option works the other way. So if you buy a put option on General Electric with a $25 strike price that expires in June, you have the right to sell 100 GE shares for $25 — again, no matter what the going price is. But you only have until June to exercise your rights. After that, the option expires and you lose the premium you paid for the option.

Now that you know what options are, let me tell you what they’re good for.

**How Do Most Traders Use Options?**

There are two main reasons investors buy options.

The first is for **insurance**.

Let’s say, for example, that you bought 100 shares of General Electric for $20, and today they’re trading for $26. That’s a nice gain, but you’re not sure if the price will go higher or not. In fact, you’re afraid the price could fall.

You could sell now and risk missing out on higher gains. Or you could buy a put option on General Electric with a $25 strike price and a June expiration. You’ll pay a price — again, called the premium — for the option. Once you own it, you have the right to sell your GE shares for $25, no matter what.

Let’s say GE does start to fall… dropping to $18. Ouch. Luckily, you have that put option. It lets you sell your 100 shares of GE for $25 — even though the shares are trading at $18. So instead of a loss on your position, you rack up a gain!

Now, if GE doesn’t fall below $25 before the option expires in June, you won’t exercise your put option. You’ll lose the premium you paid for the put option, but you’ll get to hold onto your stock. Oftentimes, it’s a small price to pay compared with what you could lose if the market turns against you.
Call options, on the other hand, are insurance against loss of opportunity. Let’s say you don’t own General Electric and the price is at $25. You think it might be on the verge of a historic run upward, but you know that a single stumble could send the stock falling. Rather than buying the stock and hoping for the best, you can buy a call option on General Electric with a $25 strike price.

Let’s say you’re right and GE stock soars, hitting $30 with no sign of slowing down. You can exercise your call option, buying 100 shares of GE for $25 — even though they’re trading for $30 on the market. The small price you paid for the option more than makes up for the profits you could now see.

But what if GE falls, say to $20, before you exercise your option? In that case, you won’t exercise your rights and your call will expire worthless. But the small price you paid for the option is better than the loss you would have seen outright.

Now, trading insurance policies may not sound too exciting… but that’s just one way folks play options.

The second reason people trade options is for speculation.

As I said, option prices fluctuate like stock prices do. So traders buy options hoping to sell them for a profit before they expire.

Part of the allure is their price — people can buy options at a fraction of the cost of the underlying stock they give rights to. And their price tracks the price of the underlying stock.

A call becomes more valuable as a stock’s price rises, and a put rises in value as a stock falls. But since each option is worth 100 shares, their prices react sharply to changes in the stock price. A 10% change in a stock’s price could translate into a 50% price change in the option.

Options are a way of magnifying returns — a potential 10% gain could turn into a 50% gain if traders buy call options instead of buying shares of a stock. Options give buyers the control of many shares of a stock for a tiny premium cost.
Other Ways to Think About Options

It can be hard to grasp how options work — especially if you’re new to the world of stocks. But there’s a good chance you already have a contract very similar to an option. I’m talking about car insurance. You can think of buying options a little bit like buying an insurance policy for your car.

Think about it: Car insurance pays out when your car gets damaged during your policy cycle.

Likewise, options pay out when a stock moves through a set price during the option’s life span.

Just like with car insurance, you pay a premium to purchase an option. If the option is likely to have to pay out, then the premium you pay is higher — just like trying to insure your teenage son to drive your Ferrari.

Alternatively, some traders prefer to sell options.

You see, there are two sides to every trade — a buyer and a seller. For you to buy a stock, someone has to be willing to sell it. The same is true for options. If someone wants to buy a put or call option, there must be someone selling it.

Now, it may sound counterintuitive to sell something you don’t own. But don’t think of it like that. Instead, imagine you’re writing the options contract and then putting it up for sale. In fact, the act of selling puts and calls you don’t own is called “writing” options.

That doesn’t mean you literally need to provide a written contract to sell options. Instead, you just tell your broker what kind of option you want to sell and he’ll put it on the market in your name. You’ll be paired with someone looking to buy that option, and the price the buyer pays for the option — the premium — will be deposited into your account.

You’ve just scored instant income — and that money is yours to
keep regardless of what happens to the stock price.

Just remember that selling an option obligates you to fulfill the terms of the contract. If you sell a put and the buyer exercises his rights, you’ll be forced to buy the underlying stock from him at the option’s strike price. And if you sell a call and the buyer exercises his rights, you’ll need to sell him the underlying shares at the option’s strike price.

That’s why it’s important to have enough cash on hand to buy the stock if the put you sold is exercised. It’s called a CASH-SECURED PUT, and it means you’re never caught by surprise.

And if you sell a call, you need enough stock shares on hand to sell to the call buyer if he exercises his rights. This is known as a COVERED CALL.

How much income you can make with options depends on the pre-
miums you receive. So let’s take a look at how options are priced.

**How Do Option Prices Work?**

Every option covers 100 shares of stock. But most services quote option prices “per share.” So you have to multiply an option’s quoted price by 100 to figure out how much it will actually cost you. (Not including commissions, fees, etc.)

Like stock prices, options prices are determined by the market. But since they’re based on their underlying stocks, they have an added fundamental backstop. The INTRINSIC VALUE is the difference between the underlying stock’s current price and the option’s strike price. It’s what the option would be worth if it expired immediately (if it’s positive for a call, for instance, the option has no intrinsic value). An option with intrinsic value is called IN THE MONEY, while an option without intrinsic value is considered OUT OF THE MONEY. When a stock’s price is exactly the same as its option strike price, the option is AT THE MONEY.
TIME VALUE is the value that comes from how investors are pricing in the likelihood of increased intrinsic value before the option expires.

Option Premium = Intrinsic Value* + Time Value*
(* times 100 shares per option contract)

Now that you know what options are and how we plan to earn income from them, here’s what you need to know to start trading them.

How Do I Read an Option Ticker?

Like stocks, options have unique ticker symbols that help investors identify all of their important information in a few moments. Here’s the anatomy of an options ticker:

GE130622C00025000

<table>
<thead>
<tr>
<th>Ticker of Underlying Stock</th>
<th>Expiration Year</th>
<th>Expiration Month</th>
<th>Expiration Day</th>
<th>Call/Put</th>
<th>Strike Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>GE130622C00025000</td>
<td>2013</td>
<td>June</td>
<td>22</td>
<td>C</td>
<td>$25.00</td>
</tr>
</tbody>
</table>
So in the example above, we’re looking at that same General Electric June 2013 $25 call option.

All options contracts have certain things in common. The most important is the expiration date.

Every option expires on a set date, which you know before you buy the contract. Past that date, the option becomes worthless — and the rights to buy or sell stock that the option gives are no longer valid.

Conventional options expire the third Friday of their expiration month (July options expire the third Friday of July, for example). The dates built into options tickers help to simplify expirations dates.

You’ll also have a strike price for every options contract. This is a fixed price for the life of the contract. Say the underlying stock trades for $25. A put option strike price of $30 would allow you to sell 100 shares at $30 a pop — $5 higher than what the stock trades at.

**Do I Have to Hold Options Until They Expire?**

You can buy or sell an option whenever you want at its current premium, or market price — just like with any stock. When at option expires in the money, it will automatically be EXERCISED by your broker. Theoretically, you can then sell your stock for the intrinsic value that your option had when it expired, less any commissions and exercise fees.

When you WRITE an option by selling it short, you can be ASSIGNED if a buyer decides to exercise his option. Traders who are assigned are obligated to buy or sell shares of the underlying stock based on the option’s strike price. If the contract that you write is not assigned, it will expire worthless. This means we get to keep our income and no longer have any obligation to buy or sell shares.

Hopefully, I’ve answered all your options questions and alleviated any fears you have about them. And rest assured, if you choose to sign up for any of our options trading services, each editor gives you step-by-step instructions for each trade.
Before the internet allowed investors access to manage their own portfolios, most investors large and small relied on their brokers to supply them with the best investment ideas.

Researching and narrowing down a list of potential investments could take days or even weeks.

Now, with only a few clicks, online stock screeners allow even the least experienced investors to quickly narrow down stocks based on a wide variety criteria. If used correctly, stock screeners can be the best way to find quality stocks for your portfolio.

However, if you want to use a stock screener affectively, you need to know how to ask for the right stocks. Understanding what all the different metrics mean and how they are used to filter out a list of stocks that meet your criteria can be overwhelming.

Today we will show you some stock-screening basics.

First, let’s get started by checking out where you can go to set up your ideal stock screener:

- **Morningstar**: Morningstar offers a selection of research and screeners
• **FinViz.com**: FinViz.com allows investors to visually see stocks based on their chart patterns

• **Zacks Investment Research**: Zacks Investment Research allows investors to get professionally designed screens as well as design their own.

To start, here’s how you narrow down the vast number of companies that are publicly traded.

The first two stock-screening metrics we want to introduce you to are *share price* and *market capitalization*.

*Share price* is pretty simple. And as you probably already figured out… it is the price it would cost you to buy one share of stock in a particular company. If you want to focus on stocks that trade around $50, you can set your screen to do just that.

*Market capitalization*, or market cap, is the total dollar value of all the company’s outstanding shares. This is used by investors to determine the size of a company. You can filter so you are only looking at small companies or, on the flip side, only larger companies.

**Finding Value Using “Price-Earnings Ratio”**

This is one of the most widely used — and often misused — metrics of a stock screen: the *price-earnings ratio, or P/E ratio*.

Despite its popularity, the P/E ratio is commonly misused because investors often aren’t sure exactly how to interpret this seemingly innocuous number.

The P/E ratio is calculated by taking the share price and dividing it by the earnings per share (EPS).
A company’s EPS serves as an indicator of its profitability; it is the profit allocated to one share of the company’s stock. EPS can be found by taking a company’s net income and dividing it by the number of outstanding shares. For that reason, the P/E ratio is essentially a measure of how much investors are willing to pay for each dollar of a company’s earnings.

Now that you know how to find the P/E ratio, you need to know how to interpret it. But before we get to that, there are some important details we should note…

When calculating a company’s P/E ratio, earnings are obviously a main factor. It’s important to know, however, that earnings can be subject to manipulation. For instance, a company’s reported earnings can include noncash items like depreciation, amortization and unrealized investment losses — those numbers can be discretionary and they have a direct impact on the ultimate price-earnings results.

The P/E ratio can also vary by industry. When using P/E ratio to compare one company with another, it is important to make sure you are comparing companies within the same industry. You can even go a step further and compare a company to the industry’s average.

Because the P/E ratio is subject to these variables, it should be used as a guideline with other metrics. You can’t pinpoint the exact value of a company by this metric alone.

There are many different ways to interpret what a company’s P/E ratio means. A lower P/E ratio can mean that a stock is under-valued, but it can also mean that investors believe the company’s earnings are set to decline. Stocks that have a higher P/E ratio are thought to be overvalued or could see growth in the future.

As you can see, using the metric won’t give you a concrete value of a specific stock, but it is a crucial starting point.

Remember, because of all the variables that can affect P/E ratio, this metric should not be used alone.
Uncover Value Opportunities Using the Price-to-Book Ratio

What if you could buy a company for less than it’s worth? The price-to-book ratio, or P/B ratio, could be just the metric to tell you everything you need to know...

As with the P/E ratio, this metric should never be used by itself; however, it is still an important tool to finding value in investments.

You can find the P/B ratio by taking the company’s share price and dividing it by the latest book value per share.

Book value is found by subtracting a company’s liabilities from the total value of its assets. Essentially, it’s the value of all of a company’s stuff after taking out any obligations. It’s a conservative measure of a stock’s liquidation value per share.

The P/B ratio is often used by investors to find companies selling at deep-value prices. Like the P/E ratio, there are many ways to interpret this metric.

When calculating the P/B ratio, the book value of a company’s assets is a huge factor. That’s why it’s so important to understand what is included within a company’s book value.

Book value is simply the value of a company’s net assets expressed on their balance sheet. This includes a company’s stocks, bonds, inventory, manufacturing equipment and real estate minus any debt. It gives a rough idea of what the stock would hypothetically be worth if it were broken up and sold off tomorrow.

The most important thing to know is that it excludes intangible assets such as brand name, patents and intellectual property. Companies that rely heavily on intellectual property, like Microsoft...
(NASDAQ: MSFT), do not always have significant tangible assets on their balance sheet; that can cause the P/B ratio to be higher, which makes the company look like less of a deal.

Also, book value may not represent the real market value of a company’s assets. That’s because the book value of an asset typically reflects the original cost and doesn’t account for value increases in property or for the markup that inventory gets before being sold.

Because of the variables that go into book value (and what is left out), companies in certain industries consistently have higher P/B ratios than those in others. Companies with a lot of tangible assets (machinery, real estate, etc.) will have a lower P/B ratio than companies that rely heavily on human capital.

A higher P/B ratio may mean that investors expect management to create more value from a given set of assets. It can also mean that the company is overvalued. The only way to tell the difference is through tried-and-true experience.

Newer companies with high expectations tend to have higher P/B ratios. When looking at newer companies, it is important to compare the P/B ratio with the industry average. If the P/B ratio is higher than the industry average, it may be wise to stay away.

A lower P/B ratio means that share price is less than the value of assets. Sometimes, this means the company is undervalued, but just like with a low P/E ratio, it can also mean the company is in trouble.

That said, a low P/B ratio can indicate that if the company gets into trouble, investors could still walk away with a profit on their investment. Lower P/B ratio gives investors a fundamental cushion if the company has difficulties.

Just like with P/E ratio, P/B ratio should never be used by itself. But it is an important metric when evaluating a company’s assets.
Screening Your Way to Profits Using “Net Profit Margin”

When looking at potential investments, one of the keys is finding companies with profitability.

Companies that consistently grow their profits have the best chance to grow in share price. Today we are going to put net profit margin to work.

While both P/E ratio and P/B ratio are very useful in finding the value of a stock in relation to a company’s earnings and assets… one very important aspect is left out.

Neither one of these ratios tells you how much money the company is actually bringing in as profit. To find out how profitable a company is, we want to introduce you to the net profit margin.

The net profit margin can be found by taking a company’s net income and dividing it by the company’s revenues.

Revenue is the entire amount of money a company receives from sales before any deductions. Net income is the company’s revenue after subtracting out costs and expenses.

You can think of it like this: Revenue is your salary, and net income is your spending money after your bills and other necessary expenses are paid.

The net profit margin measures how much out of every dollar in sales the company keeps as earnings and is shown as a percentage.

Finding a company’s net profit margin is a great way to look at a company’s profitability. Many investors could be tempted to look at a company’s net profits alone, but this would not give them the full picture.
The net profit margin doesn’t just give you a quick look into what a company takes home in profits at the end of the day... It also gives you deeper insight into the efficiency of the management.

For example, say you have two companies: Company A brought in $1 million in sales, while Company B brought in $2 million. At first glance, most may say that Company B would be the better investment because it brought in twice the amount in revenue as Company A.

But after subtracting out costs (such as salaries and other operating expenses), both Company A and B have a net income of $200,000. Even though Company A brought in less revenue, they keep 20% of every dollar they bring in and Company B only keeps 10%. After looking at the net profit margin, one can clearly see that Company A is the more profitable company.

One can also assume that Company A is managing their resources well. Their relative costs are a lot less compared with Company B’s. By that measure, Company A is running more efficiently; they are spending less and therefore keeping more of the money they are bringing in.

So what does net profit margin mean to you as an investor?

A lower net profit margin can indicate a low margin of safety. Because the company is bringing in less income from its operations, in times of economic downturns it could be more likely to start losing money.

It is important to note, however, that for companies with fast-moving inventory, like grocery stores, lower profit margins can be acceptable. Many retailers have a low-cost, high-volume approach that could cause lower net profit margins.

Higher net profit margins are a good indication that a company is doing well. The higher the net profit margin, the more money a company is making compared with their expenses.

More importantly, companies that are able to grow their net profit margins will usually be rewarded over time with growth in share
price — especially when they pass those profits onto shareholders in the form of dividends or share buybacks.

Just like the other metrics we have discussed, net profit margin should not be used alone and can vary by industry. It is always important when evaluating stocks to make sure you are comparing the companies’ metrics with their industry averages.

**Finding Enhanced Shareholder Value Using “Free Cash Flow”**

Finding value in investments is one of the most difficult tasks investors face. There are so many ways to measure a company’s value, but one of the most popular ways is by using free cash flow (FCF). Free cash flow is the investor’s best way to find companies that have the cash needed for growth within the company and opportunities to enhance shareholder value. So let’s dive right in...

You can calculate free cash flow by taking the operating cash flow and subtracting capital expenditures. Operating cash flow can be found as a line item on a company’s statement of cash flows. Capital expenditures are the expenses a company incurs to acquire or update physical assets (such as real estate).

### Finding Free Cash Flow

| Operating Cash Flow — Capital Expenditures |

FCF shows real money that the company generates right now without being skewed by noncash accounting numbers. This metric can be useful in identifying companies that generate higher cash balances in their bank accounts. Some investors believe the FCF gives a clearer view of the company’s ability to generate cash.

However, there is no easy standard for determining FCF. Even the savviest investors sometimes disagree on the use of this metric. As
with many of the metrics we have been talking about, FCF is not cut and dry...

A lower FCF could indicate that the company is unable to cover its costs and sustain growth in the future. A company without enough FCF may not have enough liquidity to stay in business.

Negative free cash flow is not always bad, though. It could be a sign that the company is making large investments… if these are smart investments that could yield high returns, they will pay off in the future.

Companies that show a higher FCF show value. With more spending money at their fingertips, companies with higher FCF have the cash to develop new products, make acquisitions, pay dividends to their shareholders and reduce their debt.

**Screening Your Way Toward Profit**

Even with a “perfect” screen, you will inevitably be left with stocks you just don’t like. Your goal shouldn’t be to just pick stocks at random off your list but to use the list as a guideline for further research.

- **Your Screen Is Just the Start** — The first step is to eliminate companies or industries that are undesirable

- **Do Your Research** — Now that you have eliminated companies that you know you aren’t interested in, it is time to work with the list you have left. Many of the metrics we used should not be used alone, and as we discussed, it is important when reviewing possible investments to compare companies with other companies in the same industry or even to the industry standard

- **Dig Even Deeper** — Now that you have compared the companies with their competitors and industry standards, you will want to look for market catalysts and industry trends. These can be good indicators of which stocks on your list could outperform others.
Of course, there are many other screening metrics we haven’t discussed. Play around with some of the free screening tools we introduced. See what you find.

And don’t worry. Our editors will send you the best opportunities they have already vetted as soon as they become available.
The Basics of Shorting the Market

In any market climate, short selling can be a great, but controversial, way to hedge losses in your portfolio.

If you think a particular stock is going to fall, one way to make money as it falls is to short it or take a short position.

To short a stock you “borrow” shares and then sell those shares at market value and pocket the proceeds. When the stock falls below the share price you sold at, you can buy back the borrowed shares at the lower price to give back to the owner (known as covering), pocketing the difference.

To short you will need to open a margin account with your broker. Your broker will arrange the delivery of the borrowed shares. There is often a ready supply of shares to be borrowed, usually owned by pension funds, mutual funds or individual investors.

How to Find the Right Stock to Short

Finding the right stock to short can be a little bit tricky, but there are many aspects of a stock you can look at when finding the right stock to bet against. Generally, you want to make sure that the stock you are looking to short has high liquidity, which means that
there are a decent number of shares being traded.

Some good signs of a short-selling opportunity are when a company misses its quarterly earning estimates, its fundamentals are dwindling, sector trends are declining or the stock is seeing high insider selling.

**Is This Too Good to Be True?**

It all seems simple enough… you sell high, buy low and then keep the difference. But there are some risks when short selling that you need to be aware of.

As I mentioned earlier, in order to start shorting, you will need to open a margin account with your broker. There may be additional margin costs involved when you are shorting the market and you will have to pay out any dividends that were paid during the time frame you were borrowing the shares.

In the case of “hard to borrow stocks,” you need to also be mindful of the trading activities of the owner of the shares you are borrowing. If he decides to sell his shares before you have covered, you will have to return the shares to him by either purchasing at market value or borrowing them from somewhere else.

This is known as a **forced buy-in**. Your broker will have a list of these companies.

Most importantly, unlike long investing, where you can only lose what you invest, with short selling, losses are hypothetically limitless.

If a stock you are shorting goes up, you will have to buy shares at the current price to cover your short, resulting in a loss. A “short squeeze” can cause a rising stock with short interest to rise even higher when fellow shorters are also attempting to cover their short.
Here’s an Example…

Let’s look at a hypothetical example of shorting Apple Inc. (NASDAQ: AAPL) back in 2002, when Apple shares were “just” $100.

Say that an investor believed Apple’s stock would severely decline in the next six months and decided to short 100 shares of AAPL. The investor would see this transaction in his brokerage account and the cash required is often frozen for the duration.

To borrow the shares for the next six months, the investor agrees to pay an 8% interest rate.

In this example, six months later at the expiration date, AAPL shares are priced at $75. The short sale proceeds are $10,000 and the short position in AAPL is $7,500. The margin interest that the investor is due is $800. The investor purchases 100 shares of AAPL at the market price of $75 and returns them to the broker from whom he originally borrowed.

The short investor’s profit is $1,700.

\[
$1,700 \text{ (Profit)} = $10,000 \text{ (Short Sale)} - $7,500 \text{ (AAPL Short Position)} - $800 \text{ (8% Margin Interest)}
\]

High Risk, High Reward

Most investors won’t short stocks because they don’t know how or because they are scared. While short selling does have high risk, you can also reap high rewards — especially in a down market.

Picking the right stock to short can easily help you book fast gains. Just remember not to chase your short; set a price you will buy shares back at and stick to it.
When it comes to quality in the investment world, one thing that will never go out of style is dividends.

A dividend is a distribution of a portion of a company’s earnings — paid regularly (typically quarterly) to a company’s shareholders. It can be issued as a cash payment, or share of a stock or other property.

Dividends originally gained widespread popularity as a way to generate income for widows to live comfortably after their husbands died.

Before the 1960s, the conventional (but stupid) wisdom was that women were incapable of supporting themselves and income portfolios were referred to as “widows’ portfolios.”

All local community banks had trust departments with veteran bank officials whose job it was to take the life insurance money from widows and put together a carefully crafted collection of stocks, bonds and other assets that would generate enough monthly income for her to pay the bills, keep the house and raise the children.

The goal was not to get rich. The goal was to make sure the family’s income needs were taken care of.

Retirees soon realized that income portfolios based on dividends were an ideal way to enjoy a secure retirement.
Sadly, income investing is considered too boring and too unproductive. The process of building an income-producing portfolio has become a long-lost practice.

Not because interest rates are much lower but because income investing has lost its appeal thanks to the great bull market, which has spoiled investors into believing concepts like risk management and dividends aren’t important anymore.

**Why Dividends?**

Why dividend-paying stocks over traditional fixed-income investments like bonds and CDs?

**Reason #1:** Stocks pay more! The dividend yield on the S&P 500 is just under 2%, but you’d have to go out to five years (or longer) with Treasury bonds to get a similar yield.

Of course, shorter-term bonds would pay even less, and after three interest rate hikes by the Federal Reserve, long-term bonds are a dangerous proposition.

**Reason #2:** Half the tax! The rate at which qualified dividends are taxed depends upon the income of the recipient.

For those in the 10–15% income bracket, there is no tax whatsoever on a qualified dividend. Yup — zilch, zip, nada.

For those in the 25–35% tax bracket, qualified dividends are taxed at a 15% rate.

For those in the 39.6% tax bracket, dividends are taxed at a 20% rate.

What is a “qualified dividend”? Qualified dividends are those paid by domestic or qualifying foreign companies that have been held for at least 61 days out of the 121-day period beginning 60 days prior to the ex-dividend date.
Traditional fixed-income investments — bonds, CDs, money markets and Treasuries — are taxed at ordinary income rates, which means as high as 39.6%!

I don’t care how you slice it — 0%, 15% and 20% tax rates on dividends beat the heck out of a 39.6% tax rate on interest income. And that is why dividend-paying stocks should be the foundation of any income portfolio.

**Reason #3:** Dividends grow. The S&P 500 may pay a 2% dividend today but that payout is going to increase over time. Over the last seven years, companies in the S&P 500 increased their dividends by an average of almost 7%.
Cryptocurrency Basics

A cryptocurrency is a digital currency in which encryption techniques are used to regulate the generation of units or tokens and verify the transfer of funds.

You’ve probably heard of bitcoin or ethereum. Currently, there are over 1,000 cryptocurrencies on the market.

But you can’t just jump into your brokerage account and purchase your favorite token.

In order to start trading cryptocurrency like a pro, it’s important to know how to use the different exchanges and what level of sophistication you’re looking to trade at.

Today, we’ll look at different platforms as well as the basic steps to opening up an account to trade various types of cryptocurrencies.

Disclaimer: Seven Figure Publishing does not promote or back any particular exchange. This is simply a guide to help you better understand the steps involved in buying cryptocurrencies. Do your research before selecting an exchange.

Now let’s get to it.

Getting Started With Crypto

First and foremost, it’s important to understand that there are different
levels of sophistication if you want to invest in cryptocurrencies.

The first level is figuring out how to turn your “fiat,” which is your cash, euros or whatever currency you’re in, into cryptocurrency.

To do this, you need what’s called a fiat gateway, or “exchange.” There are a few others, but the biggest — and easiest, in my opinion — are Coinbase and Gemini.

The purpose of these services is to allow you to use your fiat to buy cryptocurrencies. However, it is important to note that there are limits to the cryptos that you can buy at this level. You can almost always buy bitcoin and ethereum — but access to tokens beyond that will vary between services.

When you use one of these exchanges, your wallet is housed on their system. Some of these big exchanges are now offering insurance — they protect themselves against hackers as best they can. And if you’re a newbie investor, this is much preferred to managing it yourself and putting your investment at risk.

Sticking with bitcoin or ethereum is the perfect place to be if you’re looking to dip your toes into the crypto realm. However, once you’ve used the fiat gateway to purchase these basic cryptos, you might want to start buying other tokens like ripple, golem or steem.

This introduces a new level of sophistication...

**Gaining Access to Hundreds of Cryptos**

Once you’ve got bitcoin or ethereum, you’ve got to create an account with another exchange beyond Gemini or Coinbase. Exchanges like Binance, Poloniex, Bittrex and Kraken are the ones that open the door for you to buy hundreds of different cryptocurrencies.

A lot of these second-level exchanges do not accept fiat (cash). You can only make transactions by using other cryptos like bitcoin, ethereum, bitcoin cash, etc. When you sign up for these exchanges,
you’ll have to provide some personal information, much like opening a bank account. You’ve got to show a picture of your ID. You might have to make a video of yourself. You’re going to have to give your name, address, phone number, etc.

They don’t do it to be jerks or to try to steal your money. They do it because they’re required to by law.

These exchanges are so flooded that it may take 30 days, sometimes even 60 days, to verify your credentials

I know this is extremely frustrating if you want to get involved. Be patient. Once your account is verified, you will be able to send your bitcoin or ethereum to the exchange.

The nice thing about these exchanges is they have wallets for hundreds of currencies. So you can have five, 10, 20, 30 different tokens on one exchange.

Yes, there are risks at this level as well. If the exchange is hacked, you may want to withdraw your crypto into wallets you personally hold. But setting up individual wallets can become very complex. Ultimately, the decision is up to you.

Next, I recommend you do a test transaction. Do not send thousands of dollars from your wallet with Coinbase or Gemini to these exchanges. Send $50 first and make sure the transaction goes through.

Why? Because human error happens. You may mistype something. The exchange may take hours to show the money transferred over as pending or as received. Rather than worrying over several thousand dollars, it’s important to test the variables with a smaller sum until you feel comfortable trading at the level you want.

**Buying and Selling Crypto**

Let’s take a look at an example of using one crypto to buy another…
Let’s say you have a tenth of a bitcoin, which for the sake of this example I’m going to say is worth $1,500 (meaning one full bitcoin is $15,000). And you want to buy ripple, which we’ll say is $1.

You should be able to buy approximately 1,490 ripple, factoring in trade fees. When you put in that order, you’re going to buy either the bid or the ask price. Usually I would buy the ask price with a limit order. If the margin’s not moving too fast, your order will get filled.

So the bitcoin in your account will get depleted to about zero. The ripple in your account will be updated and you’ll have the 1,490 ripple.

That’s how you buy these other currencies.

Next we’ll cover how to sell and cash out of these cryptocurrencies. Essentially, we’re working through the “buy” process in reverse. Here’s an example...

Let’s say you bought golem with your bitcoin for $0.20 and now it’s trading at $0.40. You’d sell your golem first on an exchange to go back to bitcoin. Then you’d send your bitcoin to a fiat gateway like Coinbase or Gemini. From there, you would sell it for fiat (cash) and have it wired to your account.

Unfortunately, because of regulation, it is a somewhat lengthy process. But the more you trade, the more likely you are to get the hang of it.

**Popular Crypto Exchanges**

There are multiple big exchanges to choose from. Here are the most popular and highly rated:

**1. Coinbase**

Website: [https://www.coinbase.com/](https://www.coinbase.com/)

Fees: 1.49% conversion fee. [Click here for details.](https://www.coinbase.com/)

Currencies Supported: bitcoin, litecoin, ethereum, bitcoin cash
2. Gemini
Website: https://gemini.com/
Fees: Trading fees based on volume. Click here for details.
Currencies Supported: bitcoin, ethereum

3. Bittrex
Website: https://bittrex.com/
Fees: All trades are charged 0.25% of the profits of the trade. Click here for details.
Currencies Supported: bitcoin, ubiq, litecoin, blackcoin, dash, ethereum, gambit, plus 190 more

4. Binance
Website: https://www.binance.com
Fees: 0.1% trading fee. Click here for details.
Currencies Supported: bitcoin, cardano, dash, tron, plus many more

5. GDAX
Website: https://www.gdax.com/
Fees: A 0.25% taker fee for all BTC books. Click here for details.
Currencies Supported: bitcoin, bitcoin cash, ethereum, litecoin

6. Kraken
Website: https://www.kraken.com
Fees: Fees are charged on a per trade basis. Click here for details.
Currencies Supported: bitcoin, bitcoin cash, dash, eos, gnosis, tether, plus more

*While every effort has been made to keep our information as up-to-date as possible, prices and other data are subject to change. So make sure to check before you sign up with any crypto exchange.*
Getting Started on Your Path to Complete Independence

Our goal at Seven Figure Publishing is to deliver you financial independence... on your terms.

With our team of top-notch editors, we deliver life-changing opportunities straight to your inbox every day. Whether you are just starting out — or a seasoned pro — we have something for you.

(Simply click here for a full list of the services we offer.)

And now — you have all the basics you need to get started.

If you ever have a question about what we have to offer, email us at Feedback@SevenFigurePublishing.com or give us a call at 844-370-6637. We have a staff of professional reader assistance representatives ready to help you on your journey to financial freedom.

Thanks again for reading.

We look forward to a long and profitable friendship ahead.

Welcome to Seven Figure Publishing!

Jessica Comitto
Vice President of Member Experience