

14.1: Stocks Overview (fmr Introduction)

By 1976, computers had been around for decades. They were typically the size of a large room and just as expensive. To use one, you had to learn a programming language. On April 1, 1976, Steve Jobs, Steve Wozniak, and Ron Wayne started a company to make personal computers. On January 3, 1977, Jobs and Wozniak incorporated without Wayne, buying his 10-percent share of the company for \$800.^[1]

On December 12, 1980, Apple Computer, Inc., went public; its stock sold for \$22 per share.^[2] Had you bought Apple's stock when the company went public and held it until today, you would have earned an annual return of about 14.5 percent. To look at it another way, \$1,000 invested in Apple shares when they went public would be worth over \$50,000 today.^[3]

History, as much as it is a litany of wars and rulers struggling for power, is a story of invention and innovation, broadening our understanding of how the world works and, if successful, improving the quality of our lives. Theoretical milestones have to be made practical, however, to be truly effective. The steam engine, the light bulb, the telephone—and the personal computer—had to be produced and sold to be widely used and useful.

Typically, an inventor has a great idea, then teams up with—or becomes—an entrepreneur. The entrepreneur's job is to build a company that can make the invention a reality. The company needs to find the resources to make the product and sell it widely enough to pay for those resources and to create a profit, making the whole effort worthwhile. No matter how great the idea is, if it can't be done profitably, it can't be done.

As an investor, you buy stocks hoping to share in corporate profits, benefiting directly from the inventive vitality of the economy and participating in economic growth. Understanding what stocks are, where they come from, what they do, and how they have value will help you decide how to include stocks in your investment portfolio and how to use them to reach your investment goals.

^[1] Ronald W. Linzmayer, *Apple Confidential: The Real Story of Apple Computer, Inc.* (San Francisco: No Starch Press, 1999).

^[2] FundingUniverse, "Company Histories: Apple Computer, Inc.," <http://www.fundinguniverse.com/company-histories/Apple-Computer-Inc-Company-History.html> (accessed June 9, 2009).

^[3] Calculations were done by the author, assuming a split-adjusted IPO price of \$2.75 per share, http://blogs.indews.com/financial_analysis/apple_financial_analysis.php (accessed June 9, 2009) and a current stock price of \$140 per share (June 2009).