



Decoding Financial Jargon: The Stock Market

by Cullen Douglass, CFP®

This article is part 2 of a series attempting to teach the concepts of often misunderstood financial terms and phrases.

Stocks, bonds, equities, fixed income, mutual funds, asset allocation, dividends, diversification, the stock market. Our industry is filled with terms and phrases. What I've learned from thousands of meetings with clients over the past decade is that few people understand what these terms truly mean. Many people have heard and read them enough to be able to use them in a sentence, but almost no one understands them well enough to teach them to their children or make tough decisions regarding their finances. So, over the course of a few articles I'd like to share how I'd teach these concepts to my children, and hopefully shed some light for those who were never taught themselves.

What does "the stock market" mean? This phrase is mostly used when people say things like "the stock market is up today" or "the stock market plummeted today." In a decade of daily conversations about financial planning I've seen great confusion caused by using this phrase in that way. It's ambiguous and leads to uncertainty and often fear. I believe clearing up that fear could help you tremendously in building a long-term investment plan that you can be confident about. The stock market is simply a place where people buy and sell stocks. It's actually numerous places, both physical and virtual. What most people are referring to when they say "the stock market" are indexes. The most commonly used indexes are the Dow Jones Industrial Index, the S&P 500, and the Nasdaq Composite (stay tuned for an upcoming article diving deeper into indexes).

So how does knowing that "the stock market" is a collection of places to buy and sell shares of stock help you? We live in a time when there is a barrage of information about the economy, global crises, political turmoil and social unrest. Having your nest egg that you've worked hard to build and depend on for your family's financial security at the whim of "the stock market" is terrifying. On the flip side, no matter what's in the current news, it can be reassuring to have your life's savings invested so that you are an owner of some of the greatest and most well-run companies the world has ever produced.

If you're having trouble sleeping at night because of what's happening with "the stock market," do yourself and favor and have a conversation with a financial advisor today. Find one who can help cut through the noise and help you use the stock market to buy the right combination of companies to align with your financial plan.

No investment strategy can guarantee a profit or protect against loss. All investments carry some level of risk including the potential loss of principal invested.

Cullen Douglass uses Integrum Wealth as a marketing name for doing business as a representative of Northwestern Mutual. Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company, Milwaukee, WI (NM) (life and disability insurance, annuities, and life insurance with long-term care benefits) and its subsidiaries. Cullen Douglass is a Representative of Northwestern Mutual Wealth Management Company® (NMWMC), Milwaukee, WI (fiduciary and fee-based financial planning services), a subsidiary of NM and limited purpose federal savings bank. Cullen Douglass is a Registered

Representative of **Northwestern Mutual Investment Services, LLC** (NMIS) (securities), a subsidiary of NM, registered investment adviser, broker-dealer and member FINRA (finra.org) and SIPC (sipc.org). Cullen Douglass is an Insurance Agent of NM

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements