Jim Cramer's: Mad Money Watch TV, Get Rich

I. **Step One: Know Yourself and Your Goals**

- **A.** A lot of people who are trying to make money do not have a sense of their own identity as investors. Questions to ask
    - **1.** How old are you? Younger people can take more risks, older cannot. Never put more than 20% of your discretionary money into speculative stocks.
        - **a.** Are you in the game for the long haul, do you want stocks that are going to make money in the next year, or the next week?
        - **b.** The shorter you're time horizons, the more time and effort you must put into the homework.
        - **c.** But there are three classes of good stocks worth owning, they are: **higher growth stocks** with **consistent growth,** and **value stocks.**
        - **d.** **Consistent growers** are very shareholder friendly: they do not just pay dividends they also tend to buy back stock.
            - **d.1** By decreasing the number of shares the companies increase their earning per share.
            - **d.2.** When stocks are bought back the stock price goes back up.
        - **e.** You must be able to explain to a friend who knows nothing about the market why the stock is going higher.
        - **f.** The name of the game is diversification.

II. **Step Two: Do your homework**

- **A.** Never buy a stock at a market order (price), wait at least 24 hours and do your homework first.
- **B.** Homework steps:
    - **1.** Is to learn in very precise terms how a company makes its money.
    - **2.** List and understand all the possible things that can affect the performance of the sector that the stock is in.
    - **3.** Examine the recent performance and behavior of both the stock and the company it represents a chunk of.
    - **4.** Compare the stock to it competitors and make sure that its competitors do not represent a serious threat to its business.
    - **5.** Look at the ***company's income statement, balance sheet,*** and **cash flow**. But mostly the **last two** to make sure that the company you are investing in is actually viable.
- **C.** More in depth analysis of the homework:
    - **1.** Step one:
        - **a.** Look at the 10-Q (Quarterly's) for at least four (4) quarters (previous quarters).
        - **b.** Look for anything unusual good and bad.
    - **2.** Step two: You need to look at the sector the stock lives in and the