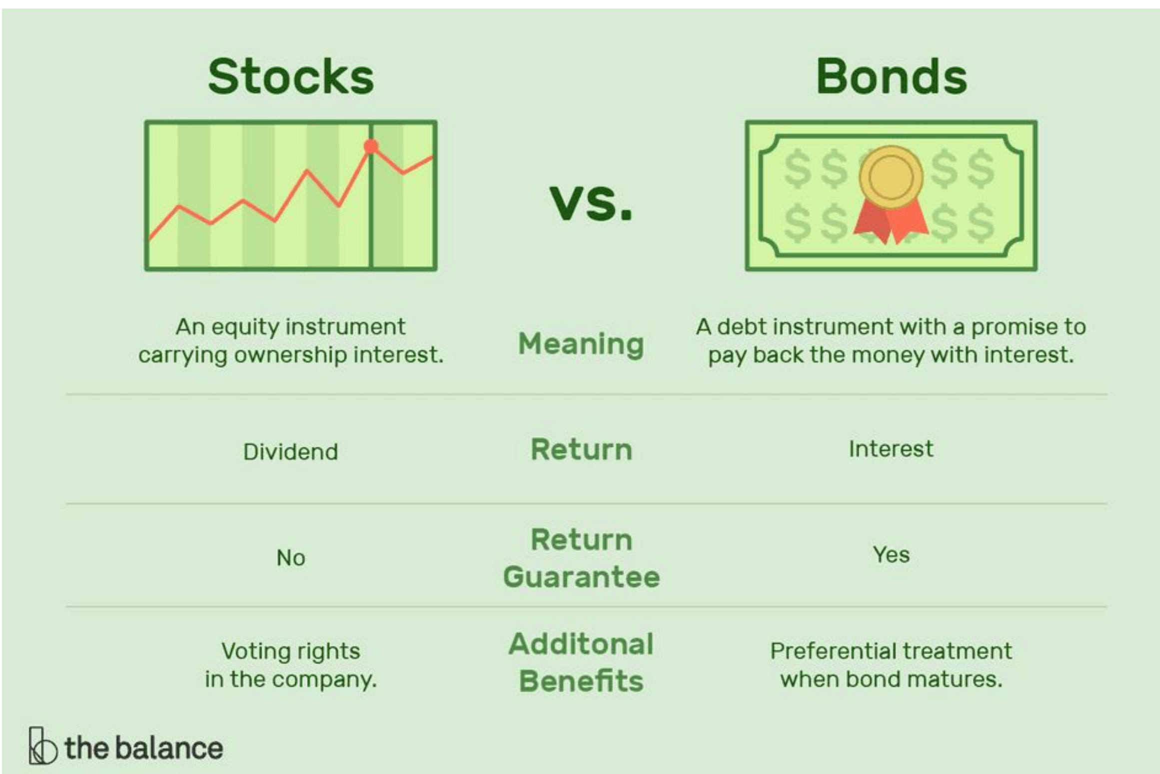
Stocks vs Bonds



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Common Stock vs Preferred Stock

Factor	Common Stock	Preferred Stock
Potential upside	Can rise for decades, virtually unlimited	Basically limited to the dividend and can be sold at par value, usually $25
Potential downside	Can fall to $0	Can fall to $0 but less likely to do so
Risk	More risk	Less risk
Volatility	Fluctuates a lot	Fluctuates less or very little
Better for which kind of investor?	Long-term-oriented capital gains	Needs dividend income today
Taxes	No tax paid on capital gains until stock is sold; taxes liable on dividends each year	Taxes liable on dividends each year
How many types?	Usually only one type, though sometimes companies issue a special class with more voting rights	Often the company has many series, and there's no limit to how many can be issued

https://www.fool.com/investing/common-stock-vs-preferred-stock-whats-difference.aspx

What Are The Benefits And Risks Of Stocks?

Stocks offer investors the greatest potential for growth (capital appreciation) over the long haul. Investors willing to stick with stocks over long periods of time, say 15 years, generally have been rewarded with strong, positive returns.

But stock prices move down as well as up. There's no guarantee that the company whose stock you hold will grow and do well, so you can lose money you invest in stocks.

If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. The company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing.

https://www.investor.gov/introduction-investing/basics/investment-products/stocks#Kinds

Common Shareholders' Main Rights

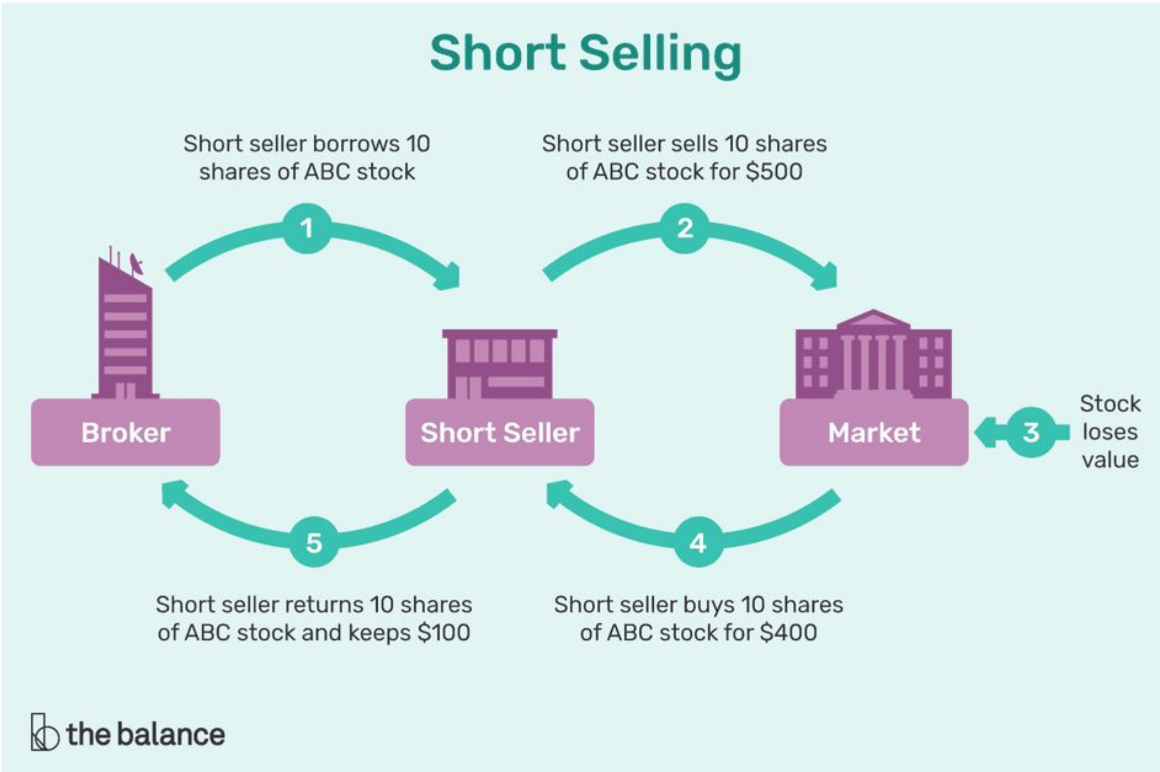
1. Voting Power on Major Issues. Voting power includes electing directors and proposals for fundamental changes affecting the company such as mergers or liquidation. Voting takes place at the company's annual meeting. If the shareholder cannot attend, they can do so by proxy and mail in their vote.
2. Ownership in a Portion of the Company. Previously, we discussed a corporate liquidation where bondholders and preferred shareholders are paid first. However, when business thrives, common shareholders own a piece of something that has value. Common shareholders have a claim on a portion of the assets owned by the company. As these assets generate profits and as the profits are reinvested in additional assets, shareholders see a return as the value of their shares increases as stock prices rise.
3. The Right to Transfer Ownership. The right to transfer ownership means shareholders are allowed to trade their stock on an exchange. The right to transfer ownership might seem mundane, but the liquidity provided by stock exchanges is important. Liquidity—the degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price—is one of the key factors that differentiate stocks from an investment such as real estate. If an investor owns the property, it can take months to convert that investment into cash. Because stocks are so liquid, investors can move their money into other places almost instantaneously.
4. An Entitlement to Dividends. Along with a claim on assets, investors also receive a claim to any profits the company pays out in the form of a dividend. Management of a

company essentially has two options with profits: they can be reinvested back into the firm (thus, one hopes, increasing the company's overall value) or paid out in the form of a dividend. Investors do not have a say as to what percentage of profits should be paid out—the board of directors decides this. However, whenever dividends are declared, common shareholders are entitled to receive their share.

5. Opportunity to Inspect Corporate Books and Records. Regulations require that public companies release their financials in the form of two annual reports: one for the Securities and Exchange Commission (SEC) and one for their shareholders. Form 10-K is the annual report made to the SEC, and its content is strictly governed by federal statutes.
6. The Right to Sue for Wrongful Acts. Suing a company typically takes the form of a shareholder class-action lawsuit. For example, Worldcom faced a firestorm of shareholder class-action suits in 2002 when it was discovered that the company had grossly overstated earnings giving shareholders and investors an erroneous view of its financial health.

https://www.investopedia.com/investing/know-your-shareholder-rights/

Short Selling



https://www.thebalance.com/the-basics-of-shorting-stock-356327

Dividends for Short Selling

https://www.investopedia.com/ask/answers/042215/if-investor-short-dividendpaying-stock-record-date-are-they-entitled-dividend.asp

If an investor is short a stock on record date, he is not entitled to the dividend. In fact, he is responsible for paying the dividend to the lender of the stock. Investors short a stock if they expect it to decline in value. Shorting a stock is essentially selling it and then buying it back at a future price. If the price falls, there is a profit. If the price rises, there is a loss. The stock needs to be borrowed from a shareholder to sell it without owning it. A brokerage firm usually handles this process. There is generally a borrowing fee for the stock, depending on its availability and liquidity.

Additionally, the borrower of the stock is responsible for paying any dividends.

https://finance.zacks.com/stock-price-change-dividend-paid-3571.html
Generally speaking, stock prices are reduced by the amount of a dividend once the ex-dividend date arrives.

Who Benefits From Loaning Shares in a Short Sale?

To answer this question, we first need to clarify who is doing the lending in a short sale transaction. Many individual investors think that because their shares are the ones being lent to the borrower, they will receive some benefit, but this is not the case.

When a trader wishes to take a short position, he or she borrows the shares from a broker without knowing where the shares come from or to whom they belong. The borrowed shares may be coming out of another trader's margin account, out of the shares being held in the broker's inventory, or even from another brokerage firm. It is important to note that, once the transaction has been placed, the broker is the party doing the lending and not the individual investor. So, any benefit received (along with any risk) belongs to the broker.

Benefits From Loaning Shares

As your question suggests, the broker does receive an amount of interest for lending out the shares, and it is also paid a commission for providing this service. In the event that the short seller is unable (due to a bankruptcy, for example) to return the shares he or she borrowed, the broker is responsible for returning the borrowed shares. While this is not a huge risk to the broker due to margin requirements, the risk of loss is still there, and this is why the broker receives the interest on the loan.

In the event that the lender of the shares wishes to sell the stock, the short seller is generally not affected. The brokerage firm that loaned out the shares from one client's account to a short seller will usually replace the shares from its existing inventory. The shares are sold and the lender receives the proceeds of the sale into their account. The brokerage firm is then owed the shares by the short seller.

The main reason why the brokerage, and not the individual holding the shares, receives the benefits of loaning shares in a short sale transaction can be found in the terms of the margin account agreement. When a client opens a margin account, there is usually a clause in the contract that states that the broker is authorized to lend—either to itself or to others—any securities held by the client. By signing this agreement, the client forgoes any future benefit of having their shares lent out to other parties. (See also: *Short Selling* and the *Margin Call*.)

https://www.investopedia.com/ask/answers/05/shortsalebenefit.asp

Goldman Sachs CEO
https://en.wikipedia.org/wiki/David_M._Solomon Jew
Old Largest Owner: https://en.wikipedia.org/wiki/Lloyd_Blankfein Lloyd Blankfein, Jew

Money Market Funds

https://www.fidelity.com/learning-center/investment-products/mutual-funds/what-are-money-market-funds

A money market mutual fund is a type of fixed income mutual fund that invests in debt securities characterized by their short maturities and minimal credit risk. Money market mutual funds are among the lowest-volatility types of investments. Income generated by a money market fund can be either taxable or tax-exempt, depending on the types of securities in which the fund invests.

Advantages of money market funds

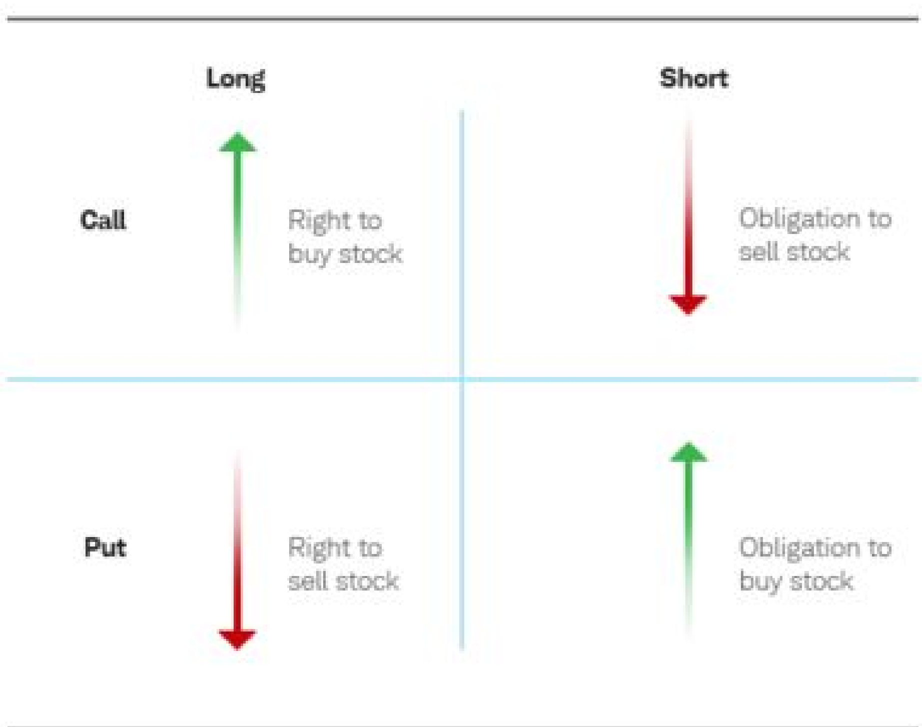
- **Stability**
  Money market mutual funds are considered to be one of the least volatile types of mutual fund investments
- **Liquidity**
  It’s easy to settle your brokerage account trades in other investments, or retrieve

funds from a money market mutual fund—generally assets are available by the next business day

Risks of money market funds

- **Credit risk**
  Unlike typical bank certificates of deposit (CDs) or savings accounts, money market mutual funds are not insured by the Federal Deposit Insurance Corporation (FDIC); although money market mutual funds invest in high-quality securities and seek to preserve the value of your investment, there is the risk that you could lose money, and there is no guarantee that you will receive $1 per share when you redeem your shares
- **Inflation risk**
  Because of the safety and short-term nature of the underlying investments, money market mutual fund returns tend to be lower than those of more volatile investments such as typical stock and bond mutual funds, creating the risk that the rate of return may not keep pace with inflation

Options



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Stocks
Mishna Halachot 5:116 there's no ribit in buying stocks and getting dividends since that's investment and a profit
Investing in stocks isn't ribit Mishpatei Ribbit v. 2 p. 356 citing Brit Yehuda 2:42

Short Selling
Seah Bseah bmechira Taz 162:1
Wired money
Heter iska where everything is already known
Corporations giving you ribbit
Short selling is asur because it is seah bseah. Torat ribit 17:33
Short selling you can't return the dividends for the duration of the loan since it belongs to the borrower for that time. If the stock price drops after the dividend its price reflects that it is a shutfut so you can't return it to the lender. Torat ribit 17:34
Lending stocks is problem torat ribit ch 17

Margins
Margins is certainly ribbit Mishna Halachot 5:116

Money Market
Mishna Halachot 12:53 money market funds is ribbit.
Mishna Halachot 13:131 you can follow majorities of banks unless you know otherwise. margins and money market funds are ribbit.

Options
Buying and selling options is permitted. torat ribbit 17:36. They can go up or down. If you buy from the open market certainly it is a sale and even if you do it with your broker it is still like a sale and not like an advanced cash payment to get a cheaper deal later.
Takanat Haribit p. 47 options muter not asmachta
Seder Haribit v. 1 p. 289 writes that buying options is muter since it is a sale. It isn't like pesika al peirot since you don't necessarily get the fruit you're just buying the right to get them.
Seder Haribit v. 1 p. 289 if it was pesika it is questionable maybe it is yatza shaar although it moves all the time bc it is always available like dollars see shevet halevi 3:109 but really it is a sale for something right now. see 173:19

Futures
ribit btachnit chischon lkol yeled p. 33 writes that there's no ribit with futures since you put downpayment as a deposit for being sure. mishpat shalom cm 209 not ribit. not even pesika