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## 80 as a fraction

Fractional shares allow investors to create a diversified portfolio of stocks and ETFs without needing much capital. In this article, I'll explain how fractional shares work, what's good about them (and what's not) and which investment companies offer them. Table of Contents Some investment terms are hard to define based on name alone, but the term "fractional shares" is literal. A share represents ownership of a company. When you buy stock, you own shares, or equity, in a publicly-traded company. Until recently, if you wanted to buy stock in a public company, your only option was to buy at least one whole share. If the price of a single share was \$1,000 and you didn't have \$1,000 to invest, you were out of luck as far as holding that company's stock in your portfolio. Now, though, you can buy a fraction of a share of most public companies for \$1 or less. The same goes for ETFs and even cryptocurrencies. Says money expert Clark Howard: "The advantage of fractional shares is that you can own a lot more — a bigger variety — of stocks than you could with the same amount of money." Single shares of Warren Buffet's investment company, Berkshire Hathaway, were trading well above \$400,00 as of June 2021. You could invest in a mutual fund that had Berkshire Hathaway in its portfolio. But to hold stock in the company yourself, prior to fractional shares, you'd need more than \$400,000. Now you need \$1. And you might end up with some fractional shares in your portfolio even if you don't buy them upfront. The other ways to hold fractional shares: Reinvest your dividends. Invest in a company that performs a stock split. Invest in a company that gets acquired or is involved in a merger. You can buy a fractional share in almost the same way that you'd buy a full share. First, identify the company in which you want to invest. Then figure out the company's ticker symbol. Use the ticker symbol to find the company within your investing app or website. The next step varies. With Robinhood, for example — a leader in the fractional shares space — instead of entering the number of shares you'd like to buy, select "Buy in Dollars" and enter an amount as little as \$1. Or select "Buy in Shares" and enter an amount as small as 0.000001. Once you complete the transaction, your fractional share will be part of your portfolio. There's a growing list of companies that offer fractional shares. However, some brokerage firms restrict the stocks they make available via fractional shares to a relatively small number of larger companies. So it's a good idea to research a brokerage firm's fractional shares policy before you go to the trouble of creating an account just for this. The minimum amount that each company allows you to invest via fractional shares varies. It's usually between \$1 and \$5 but sometimes as small as 1 cent. Yes. If you invest in a fractional share of a stock that pays a dividend, you're entitled to it. If the dividend is \$1 per share and you own ½ of a share, you'd get a dividend of \$0.50. Here are some of the biggest benefits of fractional shares: Low-cost diversification. Thanks to fractional shares, it's possible to invest in the 10 most expensive stocks in the United States for just \$10. That makes investing much more doable to those without a lot of extra money. Fewer investment dollars in cash. It's rare that the amount of money you have to invest matches up precisely with a whole number of shares. If you have \$100 to invest, and the share price of the company in which you want to invest is \$1, then great! You can buy 100 shares and won't have any money sitting in your account in cash. But say the price is \$30 per share. Without fractional shares, you'd be able to buy three shares for a total of \$90 and you'd have \$10 sitting in cash. Fractional shares let you invest that entire \$100 in that company. Beneficial for dollar-cost averaging. Building off of that last point, often the best way to invest is to take a portion of your income each paycheck or each month and invest it. Rather than trying to time the market and buy at the best possible price, you're investing a consistent amount at regular intervals. Your average price per share with this type of strategy won't be the lowest or the highest. It's much easier to practice dollar-cost averaging if you're not restricted to investing only in whole shares. Here are some of the potential downsides to fractional shares: Can encourage more active trading. The easier it is to buy into an investment, the easier it is to trade more actively. Active trading isn't typically viewed as an ideal approach to retirement investing. Limited selection of stocks and ETFs. The selection available to you through fractional shares varies depending on which investment company you use. Reduced liquidity. Fractional shares don't trade as quickly or as easily as full shares. And some investment companies won't let you transfer fractional shares to them if you're changing companies. Before you start hunting for a new brokerage where you can trade fractional shares, take a look at the bigger picture and, instead, pick a firm that serves your financial needs best overall. Then, if you feel like a different firm would serve you better specifically for fractional shares investing, make sure you review its policies. Personally, I think Robinhood is the top investment company for fractional shares. It's a good platform if you're just getting started because it's so easy to use. Also, Robinhood is among the most competitive investment apps in two key areas: The sheer volume of stocks, ETFs available on the platform for fractional share investing. Robinhood also offers fractional investing for cryptocurrencies, although Clark isn't a fan of crypto and doesn't consider it as an investment. Robinhood allows investors to buy assets for less than \$1. Determining the "best" fractional share investment company depends on what you're looking to do. Here's some information on the fractional share programs offered by a number of the largest investing companies. CompanyInvestment OpportunitiesMinimum PurchaseWorth Noting AcornsETFs only\$5Rounds purchases up to the nearest dollar; invests change BettermentUnknown\$1Robo-advisor; annual fee required Fidelity7,000+\$1Ability to gift fractional shares through custodial accounts Interactive Brokers9,000+\$1Fractional shares on OTCBB securities (not on major exchanges) M1 Finance6,000+\$0.01 or 1/100,000th of a share\$100 minimum starting balance required Robinhood7,000+\$1 or 1/1,000,000th of a shareFractional crypto investing Schwab&P 500\$5Limited to 10 stocks at a time, no ETFs SoFi43 total stocks & ETFs\$5Supports selling as little as 0.00001 shares. StashUnknownAs little as \$0.05Charges monthly fee; also offers fractional shares as rewards Final Thoughts Fractional shares are an easy way to build a well-diversified portfolio, especially if you don't have a lot of money to invest. If you're keen to invest in individual stocks or ETF-based index funds, fractional shares are a great option. It's also a good idea to review Clark's advice on saving and investing to make sure that your investment decisions fit well into a sound overall financial plan. More Clark.com Content You May Like: Fractional shares can make investing accessible to everyone, especially people who don't have the funds to satisfy hefty account minimums. When you first set out to create your investment portfolio, don't be surprised if you discover you have to save up some money just to open an account. Most account minimums are north of \$2,000, some as high as \$20,000 or even more. With these high account minimums, many people have found other creative ways to invest in companies. Save and get started quickly, because if you wait too long, you could lose out on the benefits of compounding that can only be fully reaped with time. Even if there are no account minimums, the share prices can leave you feeling hopeless, as you quickly realize that only one stock share can cost hundreds (or even thousands) of dollars. Whether you are a college student, a recent college graduate, or an employee who is successfully moving up the corporate ladder, you still need enough money to cover your basic expenses before you start making regular investments. There are several different ways to get started investing, so be sure to explore all of your options. How do you invest regularly when it costs so much to open an account or buy shares? Fear not, this is where fractional shares come into the picture. Fractional shares allow you to buy fractions of a whole share, just as the name suggests. With fractional shares, you can invest in multiple funds based on what you can afford. You can even purchase enough to invest just \$30 per week! While some of the platforms still have account minimums, fractional shares can help you reach your goals faster than investing in whole shares. Let's take a closer look at how fractional shares work. Fractional shares allow you to buy fractions of stocks in companies that have a high price per share. More importantly, you can immediately start using all cash available for investing because you no longer have to wait and save up the minimum funds needed to open an account. As a result, you get access to shares you may not have otherwise been able to afford. Most companies issue stock in whole units known as shares, which are then traded on the open market. Because the stocks are issued and traded as whole shares, most brokers restrict investors to buying and selling stock in whole share quantities. Surprisingly, you could still end up with fractional shares due to stock splits and dividend reinvestment plans, even if you only trade stocks in whole shares. Getting started is easy. First, you set the dollar amount or amount of shares you wish to purchase. Next, the platform will calculate the amount of shares or dollar amount needed to meet that number of shares, regardless of whether it is a fraction. Investors can leverage the benefits of trading fractional shares by getting access to stocks that they normally would not be able to afford if they were forced to purchase whole shares. If you're on a budget and want to limit the amount spent on a trade, fractional shares can help you buy high priced stocks such as Priceline (PCLN) with shares traded between \$1,148.06 and \$1,927.13 per share in the past year. Fractional shares can be advantageous when you don't want to spend a lot of money on a trade, but wish to purchase a stock that has a higher price per share. Since you control the amount you spend, fractional shares allow you to put all of your available cash into the market immediately- no need to wait until you raise enough cash to meet the account minimum or enough funds to buy one share. If you don't invest with fractional shares, you'll end up with random amounts of left over cash just sitting in your account going to "waste". This is a huge plus for those of you that don't like to do math- you don't have to calculate how many fractional shares of a stock or exchange-traded fund (ETF) you want to buy or sell. All you have to do is input the dollar amount for each trade or the share amount, and the calculations will be made to meet your goal! Most fractional shares are eligible for dividends just like full shares. Since you are able to make regular investments that meet your budget, it will be easier to invest on a regular basis for the amount you choose. Now that you know more about fractional shares, take a moment to review some of the companies listed below to get started with investing in fractional shares. Fractional shares are growing in popularity, and with new apps and companies that provide an investment plan for any budget, you will be confidently investing in your portfolio in no time. M1 Finance is our favorite place to buy fractional shares to invest because they offer FREE investing! Yes, you read that right - commission-free investing. M1 Finance allows you to invest in a basket of stocks or ETFs (your portfolio), and when you deposit new money, it will buy fractional shares in all the companies in your portfolio. Plus, if you have a certain allocation you're going for, it will buy shares to help you maintain the proper allocation. Check out M1 Finance here, or read our full M1 Finance review here. Fidelity has long been our top pick for a full service brokerage, and earlier this year, they announced fractional share investing. You can buy and sell fractional shares of individual stocks and ETFs on their platform commission-free. This is a huge win for investors getting started with just a little bit of capital. Check out Fidelity here, or read our full Fidelity review here. Public is one of the newest commission-free brokers that allows app-based investing. But what sets them apart is that they also allow fractional-share investing. You can invest in fractional shares on the platform, and still enjoy commission-free trading. They don't allow day-trading, and fractional share investing does take slightly longer to settle. As a bonus, Public also offers a huge interest rate on cash up to your first \$10,000 in the account. Read our full Public Investing App review here. Open an account at Public here >> Robinhood has been the biggest player in commission-free investing for years, revolutionizing the industry with app-based investing several years ago. However, Robinhood just announced that they will support fractional share investing, and allow Dividend Reinvestment (DRIP). This is huge because Robinhood is already one of the best places to invest for free. Adding in this feature makes them a more robust investing platform. Read our full Robinhood review here. Open an account at Robinhood here >> Schwab is one of the largest brokerages in the United States, and they have recently launched fractional share investing. They recently launched fractional share investing with what they call Schwab Stock Slices. To invest in fractional shares at Schwab, you do need to invest at least \$5. Also, they limit fractional shares to companies listed in the S&P 500 - which is a good selection, but not every stock. Read our full Schwab review here. Open an account at Schwab here >> Betterment is a company that offers fractional shares of ETFs invested into a curated portfolio. Betterment allows you to invest in thousands of companies across the world with minimal risk. Betterment has 3 portfolio strategies: The SRI (Socially Responsible Investing) portfolio, Goldman Sachs Smart Beta portfolio, and the BlackRock Target Income portfolio. The SRI portfolio allows you to invest based on your values while keeping fees low. Investors who select Betterment's Goldman Sachs Smart Beta portfolios can use Goldman's ActiveBeta™ equity and Access Fixed Income funds. The BlackRock Target Income portfolios are based on bonds and designed for investors who are looking for a low risk portfolio with steady income. Betterment also has a Cash Reserve account that lets you earn much higher interest than a regular savings account. Check out Betterment here, or read our full Betterment review here.7. StashStash is a popular option for investors looking for accounts with low minimums and expert guidance. With Stash, you can invest in a curated selection of exchange-traded funds (ETF's) or purchase fractional shares of stocks through a mobile platform. Stash provides some personalized investment recommendations based on your responses to several questions. Their fees are reasonable, at \$1 per month for accounts under \$5,000, and an annual fee of 0.25% for accounts over \$5,000. You can choose from a selection of ETFs preselected by their financial experts. Stash also provides educational content tailored to your unique investing profile. For convenience, you also have the option to set up automatic investments to your portfolio. Companies like Stash can buy one share and split it into fractional shares, and you can get started and own a fraction of a share for just \$5. Read our full Stash Investing review here.8. StockpileStockpile lets you buy fractional shares and start trading at 99 cents per trade. There are no monthly fees or minimums. You can choose fractional shares of more than 1000 stocks and ETFs. At Stockpile, you can buy stock using a credit card, debit card, or even PayPal, and dividends are reinvested free of charge. Like Stash, all it takes is \$5 to get started. Stockpile is also a great way to give gifts of stock to children. Read our full Stockpile review here. Check out Stockpile here. Before you begin investing with fractional shares, learn the basics and read up on best practices in building your portfolio. We have put together a list of the best investing blogs and investing podcasts to follow, as well as ways to learn about investing when you are just starting out. Now that you've learned the benefits of fractional shares, how will you put more of your money to work? Have you ever bought or sold fractional shares? If so, we'd love to hear about your experience in the comments section below.

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