Want to Invest But Don't Have A Lot of Money? Try DRIPS (Dividend Reinvestment Plans)

DRIPS are a new way an investor can begin investing with small amounts of money and continue to invest in small or large amounts periodically while avoiding brokerage commissions. Drips are an equity investment offered directly from the underlying company. The investor in essence buys stock directly from the company of the stock he or she is buying. Investors do not receive quarterly dividends; instead, the dividends are directly reinvested in purchasing more of the underlying stock. (Investors still have to pay taxes on the dividend income, even if the dividends are reinvested in purchasing more stock).

You don't need a large amount of money to start. Most drips require you own at least one share of stock to enroll in the DRIP.

Many stocks that offer DRIPS, also offer a Share Purchase Plan (SSP), in which an investor can buy their initial shares and future purchases with little or no-fees.

DRIPS are a cost effective way for investors to make better use of their dividends in purchasing stock with little or no fees rather than put them into a savings or money market account with miniscule yields. The one risk an investor faces is the possibility that the stock may decline. Choose solid blue chip companies such as, AT&T, Coca Cola, or McDonald's that are leaders in their fields and are still growing in their markets. DRIPS can offer an investor a good long term investment without investing large amounts of money at one time. You can also save money by avoiding higher commission costs buying directly from the company.