When you invest, you buy a stock, bond, piece of property, or something else that you believe will grow in value. In general, the longer your money is invested, the more it will grow. That’s why the best time to start is when you’re young, says Avi Lele, CEO of Stockpile. His company lets investors buy stock through gift cards.

Growth separates investing from saving. If you save $100 in a bank and it earns 1% interest, in 10 years, you’ll have $110. But the stock market has historically increased by an average of 10% a year. So, if you invest $100 there, in 10 years, you’ll have about $200.

But there is risk. Money in the bank may not grow in value, but it won’t lose value. Stocks and other investments can lose money. Looking back over long periods of time, we see the stock market has gone up. But during shorter periods, it sometimes has gone down. For that reason, only invest money you will not need for at least five years. If you need that money sooner, you should put it somewhere safer, like a bank.

How Stocks Work

Companies—think Apple, Facebook, and Disney—need money to pay workers and produce products. One way they raise money is by selling pieces of their company, called shares or stocks, to the public. When you buy a stock, you become an owner, or a shareholder.

The stock market is like a store in which you can buy, sell, and trade stocks. Stock markets exist all over the world, but many investors in the U.S. use the New York Stock Exchange or the NASDAQ. If you’re under 18, you need a parent or guardian to help you buy stocks.

Your goal is to buy stock, hold onto it while it grows, then sell it for a higher price. But individual stock prices change, so choosing stocks isn’t easy. It’s best to do research, says Lele. Start with companies whose products you know, then go online and read about their future plans. There are many opinions, so read several sources.

Consider Nintendo’s stock price. Five years ago, one share of Nintendo stock cost about $21. But over time it fell to about $12. The stock price dropped because its handheld gaming device didn’t sell well during that period. But in the last year, Nintendo’s stock price climbed to $38. Why? Because Pokémon Go became a huge hit.

Lower Your Risk

It’s smart to buy many types of stocks at the same time. Spreading your money out over many stocks lowers your risk. Even if one goes down, there’s a good chance others will do better, says Rick Roman, founder of GiveAshare.com.

Are you ready to start investing?

—By Kelly Hultgren