

20 Questions to Ask Before Buying an Investment

If you are considering an investment, either a stock or a 50-percent stake in your uncle's carrier pigeon pizza delivery business, these are some great questions to ask before you buy:

1. What other companies offer similar products and services, and why would someone use them?
2. Do I understand this company's products and services?
3. Do I ever patronize the competitors? Why?
4. Are the competitors bigger or smaller than the company I like?
5. Why do I choose this company's product/services over another? Is it price, quality, brand name, or something else?
6. How does this company make money?
7. What are some things that would prevent this company from making money?
8. Who uses this product?
9. What do I like and dislike about this company's products?
10. How long have I liked this company's products?
11. Can the company grow or diversify into other products? In other words, what can this company do to make more money?
12. Are the products and services competitively priced?
13. What is their market niche? Are they the cheapest, the highest quality, etc.?
14. Can a competitor easily copy the products?
15. What do my friends think about this company and its products?
16. How do my answers compare with theirs and why?
17. What might put this company out of business?
18. Is this company a target of government regulations?
19. Does this company anger or offend anyone, like environmentalists, unions, or civil rights activists?
20. Is this company heavily dependent on another industry for success? For example, is it like a tire company that is heavily dependent on auto sales for its success, like Ford or Firestone?