

# Intrinsic Value

Intrinsic value is the value of an investment based on financial characteristics inherent to that particular investment, and based on nothing else. Intrinsic value is the value of an investment based on that individual investment's financial prospects.

If someone bought an investment because they thought they could sell it to someone else at an even higher price, they are not basing their value of that investment on its intrinsic value. They are speculating on someone else's demand.

Intrinsic value is not a function of what another person or even the market might be willing to pay for that investment. However, since the market is right most of the time, the market value is usually the intrinsic value.