

Invest Ed™
Students Tracking and Researching the Stock Market

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SPRING 2008

Recently I was watching a television program in which a man was talking about how he became a millionaire. He had accumulated millions of dollars over the years by investing in the stock market. Hearing this man's story made me really curious about the stock market, but learning about it was unquestionably new to me. Enrolling in an economics class seemed to be the best solution to my problems. I had never comprehended how stocks were bought and sold, how a person got involved in the market, and how people knew what stocks to purchase. By participating in the Invest Ed™ Program, I'm learning how to construct a successful portfolio by investing my money wisely.

My classmates and I began the very first day by setting up a portfolio in which we "invested" virtual money and learned how to research stock. We immediately began to research companies and their stocks online. The website that I relied on was Yahoo Finance. It let me view the summary, key statistics, analyst opinions, headlines, and much more. In addition to the items I previously stated, Yahoo Finance let me view the earnings per share (EPS) and the price earnings ratio (PE). With this information, I learned how to calculate the annual rate of return. These key factors truly helped and reassured me in deciding which stocks would be the best ones in which to invest! I trusted in the analysts' opinions and liked to know their thoughts about the stocks. Another website that I used was Motley Fool. It gave me more reassurance to see that Motley Fool also showed that the analyst's opinions about the stocks were positive.

The stock in which I have had the most success is Marvel Entertainment, Inc. It was founded in 1988 and is located and based in New York City, New York. Marvel is an entertainment business that takes on licensing, publishing, and producing toys and

films for businesses. They contain a library of about 5000 characters which include the Incredible Hulk, Spiderman, and the Fantastic Four. I heard numerous positive opinions about this entertainment corporation, and I personally enjoy the movies they create. Since I like the corporation and the analysts also believed that it would be a successful corporation in the future, I decided to purchase it. I bought 1000 shares at \$27.43 each. In addition to reading analysts opinions, I also watched this stock for a few days. Every day that I watched it, the stock price was always up.

I purchased stock in twelve different companies in January and have only sold one company's stock. The one I sold was Google, Inc. Before purchasing this stock, I once again looked for analyst opinions. They all stated positive comments about Google, Inc. I also had some friends who had bought this stock the semester before me tell me that they had made a profit from it. Unfortunately, when I bought this stock, the price began to decline. I thought the reason the stock price was falling was because our economy was threatening to go into a recession, so I gave it a couple of weeks with hope that it would increase. However, after about five weeks of continued decline, I decided to sell it. I sold all fifty shares. I had initially purchased this stock at \$605.85 and sold it for \$442.30 each, that's \$165.55 less than the price I had bought it for. Selling this stock taught me that not all investments may bring me a profit.

My investment goal for this semester was to reach a five percent return. I have not yet reached this goal, but I am hopeful that in the future my return will exceed my goal. One of the reasons I believe I have not had a larger return is that on January 22, 2008, the federal government had to drop the interest rates $\frac{3}{4}$ of a percent in order to try and stimulate our economy. Most Americans, including myself, were living in great fear

that the stock market would go into a recession. This fear about the market caused some panic, and many people began to sell their stocks. Today, the stock prices have gone up quite a bit, but some people are still holding their breath about returning to the stock market. This fluctuation illustrated to me that there are no guarantees in the stock market and the need to diversify my investments.

Another word I learned to use was “risk.” I never knew how much of a risk people took when participating in the stock market until now. The stock market has not brought out much of a risk-taker in me as witnessed in my preceding paragraph. I like to know all of the facts before buying anything, especially when it comes to using so much money. I fear that if I purchase something, it might turn out to be a bad decision. I like to have money saved up in case of an emergency and don’t like to invest my money into anything unless I am sure the purchase will benefit me. This is the reason I seek opinions from analysts and friends. I am a first-time buyer and would rather start by taking small risks. The greatest risk I have taken is by buying one company’s stock without researching it first. That risk actually turned out to be a wise investment, and I don’t regret making it. Recently we took a risk assessment quiz that showed us how big of a risk-taker we were; mine showed that I was an average risk-taker. I agree with these results completely.

Another important lesson that I learned is that not only can I invest my money in the stock market, but I can also purchase bonds or place my money in a bank. At a bank I can place my money in an insured savings account or a certificate of deposit. While our class discussed rate of returns on investments, we talked about the time value of money. We studied the compounding of interest, and we were introduced to the “Rule of 72.” To

define and apply the “Rule of 72,” I divide the number 72 by the rate of return my investment is making, and the resulting number gives me an approximation of how many years it will take my investment value to double. This helped to emphasize the need to begin investing at the youngest age possible in order to take advantage of an approximate forty-year work career.

Investment fraud was another issue that I learned about. My classmates and I watched “Anatomy of Fraud.” The Ponzi scheme, described in the video, occurred in Shawnee which is located in Pottawatomie County. A Ponzi scheme, named after Charles Ponzi, is a fraudulent operation in which an investor is paid high returns by new incoming investors instead of by the net revenue being made by a real investment. This video taught me how an investment fraud takes place and how to look for the signs that fraud might be happening. I learned that I need to make sure and ask tough questions before making any investment. Here are some of the questions I should ask. How much profit will the seller be making? What success has the seller had in the past? How frequently will I receive statements, and whether the seller is registered with the state securities regulator? I also need to ensure that I understand the answers I have been given. If I don’t understand the answer, then I should be persistent in asking until they can explain it to me successfully. This brings me to another point; people shouldn’t have to invest their money immediately. The seller should give the investor time to think it over. If the seller is trying to get the investor to invest quickly, it might be a sign that something is wrong with the investment. Everyone should make sure that they have an emergency fund in case something in the investment goes wrong. The Oklahoma Securities Commission also has a telephone hotline that can be contacted if anyone has

any suspicions of fraud or wants to learn more about the seller. I personally contacted the Oklahoma Securities Commission and spoke with Ms. Gerri Stuckey. She discussed measures the commission takes in dealing with suspected fraud. She explained to me that the commission has access to a nationwide and statewide database in which the names of licensed brokers, agents, and advisors are included. From this database, the commission can inform a caller of whether or not the investment representative is licensed.

I have learned many valuable lessons during my Invest EdTM experience. There are many ways to prepare for my financial future especially if I'm part of the stock market. One important thing is that I can now prepare myself for retirement. My family is Hispanic, and both of my parents were born in Mexico. In Mexico, our culture is very different. When a person is preparing for retirement, he usually returns to live with his family. This retiree is cared for as long as he needs it, whereas in the United States, a person generally cares for himself. My parents may or may not be willing to let me care for them when they retire, but my plan for the future is to remain in my own home during retirement. Living here in the U.S. has "Americanized" me, and I have learned how to be an independent person. I understand that an important key to remaining independent is to be financially secure. I am currently saving a portion of each paycheck to help pay my college education. This program has taught me about planning, researching, and taking action for my financial future. It has taught me how important it is to gather a significant amount of information before taking any actions, especially if it means using a lot of money. It is important to seek other qualified opinions about any investment. The most important achievement for me is that I finally reached my personal goal of being able to understand the stock market and be able to apply it to my personal and financial future.

The stock market can be unpredictable, and I now know that it is okay to begin with small steps and slowly advance into larger ones. The market will always be there, ready for someone to invest in it. For me, participating in the Invest Ed™ Program was a great experience because I understand the stock market and can put the skills I learned to the test in the near future. Investing in the stock market would also be a whole new experience for my family because no one has ever tried it before.

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