

Cash In On Your Money Smarts Essay

As a young child, I repeatedly heard advertisers both on the television and in magazines toss around the phrase “make your money work for you.” I, however, had no idea what they meant. The only picture that came to mind was of a cartoon caricature of a dollar bill working away at a job. Since then, I have learned that those advertisers were referring to investing money in certain companies or products as an additional method of earning money and that investing is indeed a smart financial decision. Investing can help me meet my financial goals by allowing the money I have earned to grow and generate profits over time, without my having to lift a finger. By starting early, allowing for short-term fluctuations in the market, and reinvesting dividends, the small amount of money I have saved now can become quite a large sum in later years and help me to achieve some of my life goals, such as buying a house.

Investing, as I have learned, however, is not such a simple task as it may first appear. There are many different products and services to choose from and various kinds of investments, from buying real estate to investing in stocks. There are also many risks involved in investing, which can lead to losing money. Fortunately, I have also learned that picking and choosing what to invest in carefully and that diversifying my assets will lower my investments’ risks. The company’s or product’s history, as well as future prospects, must be researched and evaluated.

Therefore, if I had \$100,000 to invest, I would invest about 70% of it in the stock market in several businesses, namely KCS Energy, IRIS International, Amedisys, and Quicksilver Resources, and the rest in bonds. While bonds typically offer a reliable source of income, stocks tend to return a higher percentage of money invested over a

large period of time.¹ Thus, this distribution would allow me to maximize my profits without taking too many unnecessary risks (since the stock market tends to fluctuate).

This same principle of maximizing my returns, without doing the same to the amount of risk I take with my investments, applies to the four businesses that I would choose to invest in. All four rank among the best stocks of the decade so far, with a percentage of growth far beyond some of their better-known and more heavily favored competitors, such as eBay, Starbucks, and Apple.² While eBay and Apple have only risen close to 200% each in the past two years, KCS Energy, IRIS International, Amedisys, and Quicksilver Resources have risen above 3,000% each, with KCS Energy topping the list with a 3,251% growth since January 1, 2000.³ All four stocks offer low-profile products and services: KCS Energy and Quicksilver Resources are natural gas producers, IRIS International is a maker of urinalysis systems and Amedisys is a home nursing care provider, which of course makes them even better choices for investments. All four fill places in the business world that need to be filled and will continue to be needed, since clearly, people will still require medical care and natural gas for quite a few years to come. Yet, despite their mammoth growth in the past few years, the four are all relatively cheap because they are still quite unknown. KCS Energy is only about \$28 a share (as of January 22, 2006), while eBay, which has grown far less in the past few years, is almost \$45 a share.⁴ In fact, the most highly priced stock of the four, which is Amedisys, costs the same per share as eBay does. Consequently, investing in KCS Energy, IRIS International, Amedisys, and Quicksilver Resources would allow me to buy many shares

¹ Wall Street Journal Guide to Planning Your Financial Future, 1998

² Markman, Jon D., Spotting the next super-stocks, December 7, 2005, MSN, Online

³ Ibid.

⁴ The NASDAQ stock market

of their stocks at a relatively low price and receive back steady and reasonable returns on my investments for a few years.

With that said, however, it is certain that I would change stocks sometime in the future, when other companies hold better prospects and the market shifts. By monitoring my portfolio and frequently updating the distribution of my assets, I can ensure that my investments are working efficiently and that I am using opportunities presented to me wisely. One such potential company to invest in is Siliconware Precision Industries, which manufactures semiconductor equipment and materials and is based in China. With China's move towards industrialization in the next few years and the growth of Siliconware's stock since 2003, the Siliconware stock looks like a good quality stock to invest in. Since it has had some large fluctuations, however, I would have to monitor it carefully before I decided whether or not to invest in it.

The rest of my \$100,000 would be invested in bonds because they are much more stable than stocks, which will be especially useful in my near future (since college tuition is looming in the horizon). With bonds, I would not have to worry about losing money at certain times, such as when there are dips in the stock market. I would buy bonds with periodic payments and a range of maturities, mostly intermediate and long-term ones. That way, I will receive regular payments of interest from the bonds for many years to come. Furthermore, I would buy bonds with call provisions and "puts," so that when interest rates drop or rise or when I need a sizeable amount of money for some purpose, I am able to require the issuer to repurchase the bonds prior to their maturities. Another key factor in buying bonds is their credit quality and how financially sound they are. With that in mind, the majority of my bonds would be U.S. Treasury securities, which are

of the highest credit quality. The rest would be scattered between a few bonds chosen carefully, using the ratings of major bond rating agencies.

With \$100,000 and some know-how about investments, I would invest in four stocks - KCS Energy, IRIS International, Amedisys, and Quicksilver Resources – in the stock market and in several carefully chosen bonds. That way, I can meet my future monetary and life goals, such as attending college, by making my money work for me.