

InvestWrite Essay

Scott Shadrick

Isaac Fox Elementary School

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Laura Raineri, Teacher/Advisor



Question: Imagine that your cookie jar wants to keep your money. Explain to your cookie jar why you think it is a better idea to invest. Choose to purchase stocks, bonds, or mutual funds for your portfolio. Talk about why you chose this asset class. What are the benefits of the asset class you have chosen? Be sure to explain to your cookie jar what you would like to save for and how long you think it would take to reach your goal.

Cookie Jar

Hey there cookie jar! I know you like keeping my money, especially because of these poor economic times. I guess that you kind of have the same thinking as my great grandma, who keeps her money under her mattress. Here's the thing, I want to use my money in a more profitable way. I can invest in stocks, bonds or mutual funds to make that profit. I'm only 11 years old, and if I invested my money properly, I'll have more money when I need it. I'm going to try to help you understand the different options.

First, what are the risks and benefits of buying stocks? Buying stock in a company is buying part ownership of that company. When a company is doing well, its stock price is more likely to increase. When that company is doing poorly, its stock price is more likely to decline. Stocks can be very risky, and I could lose a lot of money if I picked the wrong ones. I have a pretty good experience picking the wrong stocks. My stock market team lost almost \$2,000 from buying stock in McDonalds. Stocks can be rewarding, but I'm a conservative buyer so I don't think that stocks are really my thing.

Next, what am I buying if I buy mutual funds? Purchasing mutual funds is like investing in a bunch of diversified stocks all as one. I could find a mixture like KFC, Apple, Coca Cola and Marathon. Mutual fund prices don't usually increase and decrease as dramatically as stock prices, so this might be a good pick for me.

Lastly, what are bonds? Bonds are certificates of debt where the issuer promises to pay the holder a specific amount of interest for a specific length of time. Bonds are usually less risky than stocks and mutual funds, but their value can change. Their value also increases and decreases depending on the interest rate at the time. If interest rates increase, bond values fall. Right now with our economy, interest rates are extremely low

so bond values are high. I think that they have nowhere to go but down. This is the most conservative way to invest, but I'm looking to make a greater profit for my portfolio.

So cookie jar, I think that out of stocks, bonds, and mutual funds, I would want to invest in mutual funds. They are an excellent asset class because they are relatively safe long-term investments. Different mutual funds can yield different levels of risk and return. They are diversified which is great. For example, if I purchase an automobile stock and our economy goes into a recession, then the value of my portfolio could decrease significantly because people are less likely to buy cars during a recession. However, if I invested in a mutual fund where only a portion of the investment is in automobile stock, then my portfolio value would not decrease as dramatically. Also, if I buy multiple mutual funds, then my portfolio would be even more diversified. Obviously, I will have to do as much research as possible about which mutual funds to pick than just about anything else, but it will definitely be worth it. I will try to find the perfect mixture of risky and safe stocks within the mutual funds.

I will start by investing \$1,000 in multiple mutual funds. My goal is to make around a 10% annual income. I'll probably sell my mutual funds when I'm 60 or so and want to retire. Since I'm 11 years old right now, if I reach my goal, then my total portfolio value will equal a whopping \$106,719 after those 49 years! If I accomplish this, I will make a very profitable investment. \$106,719 is \$105,719 more than the \$1,000 that I would have had if I didn't invest my money at all.

So cookie jar, I'm sorry to tell you but I think that I'm going to take the money. Investing is definitely riskier, but in the long run it can be much more rewarding. You're going to have to live with the cookies.