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Practical Wealth Creation Ideas

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Saving Savvy WITH STOCKS

People get excited when they think about the long-term potential of investing in stocks. When you invest in stocks you ultimately want to own shares in a company that is going to make money so that it can pay you dividends and appreciate in capital value. In order to choose a good stock you will need to analyze its management, compare it to other companies in the same industry, assess their annual reports, such as balance sheets and earnings statements. By analyzing all the figures, you will measure how profitable the company is by calculating return on equity and earnings per share; realize how liquid the company is by calculating the working capital ratio; determine the debt to equity ratio; study cash flow; and calculate the dividend yield and price to earnings ratio to compare how much value you will get. If you get thus far, you will interpret the business cycle to determine how your company is positioned in the market. Then you will want to assess the daily newsbreaks to factor in political risk, competitive product news, and rumors of takeovers etc. Then and only then, you will be a savvy stock investor.

Little wonder people depend on mutual fund managers to do all of the above savvy investing for them, and make investing a lot less complicated. Mutual funds offer a tried and proven method of investing in the stock of the best companies in the world.

Invest with THE MARKET WINNERS

Worried about investing your money in a rapidly shifting market? Have a look at your fund's investment mandate. Providing solid returns in up and down markets is what you pay for.

Your mutual fund portfolio manager should have the market knowledge to steer clear of pitfalls and catch rising stars—or stick with those companies that are strong enough to hold their own during market dips.

To help you choose, look at the fund's history through market dips. How does it perform compared to its peers or the index it is supposed to track?

Anyone can make money in a rising market; it takes experience and market savvy to stay on top when the market declines. That does not mean the value of your fund will not go down. It does mean it should go down less than the index and revive much sooner.