

Financial Learning: The Personalized Way



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During my stay here in the USA, there were several times when acquaintances pointed me in the direction of an unknown community person and noted that the person had 'made money in stocks'. Having heard this a few times applied to multiple persons, I was interested in knowing exactly how one makes 'money in stocks'. And surely, the thought went, if I were able to figure out the process, and finally made MY money, would it not be wonderful to be known as yet another (super-capable, *albeit* hard to find) 'made money in stocks' person?

Of course, mere talk (and wishful thought) is unstructured and anything such does not assist in motivating me – true motivation comes from 'experiencing firsthand', correct? (Actually, I would have switched my rear with yours if you had ever asked for experiencing firsthand my father's spanking, but that discussion is for some other time.) So, here I was, only half interested in making MY money, but not motivated enough, because my imagination had not been tickled through concrete visualizations of 'money'. Therefore, I made some 'friends', got some invitations to a few parties and finally had the opportunity (actually several) to 'experience' firsthand how the 'stock' money had transferred itself through magical transformation into pieces of expensive, tangible materials. These materials made their presences felt from every corner of the humble (i.e. huge) residence of the person (persons, actually). Several of these quality objects were in the garages, and consisted of various makes and models whose 'worth' could easily be calculated as higher than my annual salary.

And there I was – fully motivated. The quest had begun. I took several academic courses, attended many seminars, collected tons of documents, read (actually memorized) websites, watched TV, talked hours on end with like-minded folks and finally realized some 'truths' along the way. It took me several months and several wads of my cash to realize that 'making money in stocks' ain't easy, folks. It requires more courage than you think. It requires more luck than you imagine. And most of all, it ain't easy at all for a layman (such as me) to strike it big. Let me lay out some of my learning.

The first truth is to either get solid advice on a stock from a proven advisor OR to know how to extract this 'advice' on your own. The easiest (and most profound) way is to discount advice from laymen. This includes the local gardener who suggests he knows someone, who knows someone and so the chain till someone who has inside information that a specific stock is terribly 'undervalued' and therefore (wonderfully) worth a fortune if you invested in it. Get over it – you are talking to a fortune teller. (Caution – If you like fortune tellers, read no further) There are several thousand professionals who are scouring the market for every stock available and giving their 'advice' on each of them. There are actually multiple analysts who are reviewing the same stock at the same time. These are trained people who have invested their money and careers into analyzing stocks and into understanding the hidden 'value' in each. You (and I) can do the same – the documents to analyze are public information and you (and I) can review these financial statements, review the same for competitors, understand economic forecasts and make smart decisions. Bottom line – there is a method employed by these professionals, and we can follow the same path. Fortune telling is not one of them.

Another truth is that for investing, one needs courage and mental strength if one is looking to make good money. I have heard the oft-repeated statement during my 'research' that the market balances risk with reward. In other words, the higher risk stock you invest in, the greater (potentially) the value that you may get out of it. Of course, it goes without saying that the 'risk' may manifest itself in terrible forms including loss of all investment. Some say that taking risky bets is fine if you know the market well enough to get out of it at the right time. (That is quite a feat to achieve.) The 'market' is nothing but your sentiments, my sentiments and those of all others taken together into a collective measure which soars or swoons based on events. Think 9/11. The terror attacks resulted in decimating airline stocks. I doubt anyone would have predicted such an event and therefore, if you (or I) were highly invested in a specific newly-launched super-duper (risky as well) airline stock, the 'market' would have thrown our plans down the drain (*albeit* temporarily). Also, how easy is it to quit when things are going for you? Imagine this scenario – you are half way eating the big steak on your plate and you know that you should not take the next bite. (Probably the wife told you) Can you quit right then? Can you simply give up right when you were about to gulp down one more juicy bite? Can you simply quit even when you are not close to your fill? That is exactly how I think 'timing' the market is, folks, and it is very difficult for me to do that.

The final truth as I understand is that it is better to have an advisor to handle some of your finances and to think about 'diversifying' your investment. Forget these awesome gains. Most people that I talked to have lost money in these get-rich quick result stocks.

It is the loss of most that manifests into amazing stock market gains for some. The more I read and talked, the more apparent it became that I was potentially trying to gamble my savings away. It is better to have an advisor, and to invest your savings in 'diversified' portfolios. In other words, do not put all your money into airline stocks or steel or software. Put your money into different sectors of the market. And you will have the best insurance possible for rewards. I agree that these may not translate into superlative gains because one sector of the economy may pull you down. But as for me, folks, I had never guessed that Google would start under a hundred dollars and reach near seven hundred. And I had never guessed that Fannie Mae would drop from seventy five to seven within a year. So, there I am – still looking at my good looking workhorse Mazda in my two car garage and still figuring out how to 'make money'. Anyone has better ideas, let me know and I will 'research', for free. Adios.