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BUS 161 OL B Assignment 3:

It took only one day. One single day working for a farmer in my hometown, power-washing a pig barn in the middle of January while wearing a rubber hazmat suit from World War II was all that it took for me to know that I did not want to work forever. The thought of working until I couldn’t, something that has been the norm in my family for generations, has never been an option to me. As a result, the idea of making as much as I can while I am young, and letting that money do the work in my later years is one that I have done my best to realize since that cold, wet day in the barn. To make that dream a reality though, I know that I need to invest as much as I can into the future that I envision. To do this effectively, I know that I need to develop a strategy that corresponds to my financial goal of retiring sooner than later. Generally, I think that the best way to do this is by taking financial risks now, and then dialing back the amount of risk that I subject my saving to as the years go on. Some of the strategies mentioned in Chapter 10 fit my goal perfectly.

One of the strategies mentioned, Investing for Income, is one that I use. Although it does not line-up with my risk-taking mindset, it does offer me one thing – a nest-egg. The reason I have invested into securities that do not offer the largest capital gains, they do offer me a steady income stream, and function as a fail-safe if my other investments do not pan out. This diversification, at least in the way I see it, allows me to take risks while negating those risks (partially, at least), associated with my higher risk higher potential investments. The steadiness of these ensures that if everything goes terribly with the riskier securities, there is virtually no chance that I would be left with nothing.,

Because of my Investing for Income strategy, or more specifically its low-risk nature, it makes it easier to justify taking the risks of Value Investing, something that I have done on a smaller scale due to my limited experience. However, I wish I would have felt more comfortable using this strategy over the summer when I purchased shares of Torchlight Energy—an oil company that I initially invested in after the oil bust of 2016—at around $.60 per share, and invested more, I would be much happier with the capital gains I would have seen now that their stock is back where it has been in the past at over $3.00 per share. The reason that I made this investment was simple, oil prices, like anything else, are driven by supply and demand. Additionally, the demand for oil increases every year, and “A prolonged period of oversupply will keep oil prices lower for longer and continue to pressure issuers in the oil and gas industry in 2016 “(Moody). So, the abundance of supply had many companies laying-off their employees and downsizing. These actions had several investors selling their security in oil companies, which lowered the companies’ stock prices. It was only a matter of time before the demand surpassed the supply, resulting in the opposite effects on the companies’ stock. Knowing that Torchlight has been through ups and downs but have typically performed quite well after down-turns, I should have invested more than I did, but as they say, hindsight is 20-20.

Another benefit of having my “nest-egg” of Income Investments, is that it has helped me stay sane over the last year. Without these investments, my net worth would have taken quite a plunge when several of the securities in my portfolio plummeted in value at the start of the pandemic. Luckily though, I had several, more consistent ones that only suffered mildly, and have since nearly returned to their previous values. This has made it much easier to remain committed to my buy and hold strategy. Had I not, I would have sold my entire portfolio, just as the book said, at the exactly wrong time. This buy and hold strategy has been the strategy that I have implemented the most over the years, because I know that historically, even after economic downturns, the market tends to bounce back. Sometimes stronger than it was before.

Of all the strategies for investing, I would say that I am most comfortable with the Invest for Income strategy. The reason, of course, is that the Invest for Income strategy come with the least amount of risk. The high dividend yielding stocks in this category are also comforting because even if there is not much to speak of in terms of capital gains, they do offer a consistent return on investment. Unfortunately, the securities that are most comfortable to own, are not necessarily the best when it comes to meeting my financial goals. With my goal being to retire sooner, and not later, the best strategies right now are Value Investing and Investing for Growth. Simply put, more volatile securities such as Torchlight Energy common stocks are much more likely to be a catalyst in my financial growth than more steadfast preferred stocks that pay a modest quarterly dividend.

Low Oil prices to persist in 2016; stress on Oil and Gas issuers: Moody's. (2015, Dec 17). *Commodity Online,*https://ezproxy.ncmich.edu/login?url=https://www-proquest-com.ezproxy.ncmich.edu/magazines/low-oil-prices-persist-2016-stress-on-gas-issuers/docview/2123141581/se-2?accountid=35861