

## Spring 2021 InvestWrite Question All Grades

**What do you want to save for in the short-term and in the long-term? Why are these things important and how will they benefit you and/or others? Using stocks, mutual funds, and/or bonds, how would you create a diversified, \$100,000 Stock Market Game portfolio to be successful for both time frames?**

### Performance Objectives

Students will be able to:

- Develop social/emotional learning skills related to self-awareness, decision-making and setting goals
- Utilize critical thinking skills to apply concepts and terminology from the Stock Market Game
- Identify the main ideas in the InvestWrite prompt
- Write an essay that informs and/or persuades its readers
- Use appropriate grammar, spelling, structure, and language to convey intent

### High School

**Student: Angelica V.**

#### Diversifying a Stock Market Game Portfolio

Warren Buffet said, “Someone is sitting in the shade today because someone planted a tree a long time ago.”

Understanding the world of finance is essential for planning for the future. It is undeniable that responsible money management will lead to a less stressful life and should be used by everyone, regardless of age. Accordingly, developing a detailed strategy for spending and saving money should be a priority for every teen. A portfolio with \$100,000 worth of diversified investments could be beneficial in both short- and long-term financial planning.

Short-term planning is the most crucial part of a person’s high school career. The decisions students will make in these years will determine the rest of their lives. As a junior, college is just a year-and-a-half away, and expenses can skyrocket if a student is not financially competent. According to Forbes, “There are 45 million borrowers who collectively owe nearly \$1.6 trillion in student loan debt in the U.S.” Fortunately, there are a multitude of strategies that can be used to start saving for college. Planning for life after college is something I have always contemplated. There are numerous objectives I have in life, and in order to fulfill those, I have to financially plan.

With a \$100,000 Stock Market Game portfolio, there are several allocations where this money could be used, for short- and long-term planning. Diversifying this portfolio could save years of worrying about debt. To avoid this money going to waste, I would split the money into percentages and assign each percentage to an asset, calculating gains and losses. While budgeting never seems appealing and deters many people from using their money effectively, it is an essential way of avoiding debt. Budgeting can be applied to a weekly expenditure or a yearly expenditure. In my budget, I plan on putting the money in several different assets, including savings, bills/basic necessity, personal, tithing, and emergency. I plan on putting 30% of the \$100,000 in savings. That means \$30,000 split between the bank, stocks, and mutual funds. This way, the money I put into savings will have a chance to earn interest. Asset allocation in stocks and mutual funds are some of the easiest ways high school students can build wealth to save for college, which is something I have been interested in. Becoming a part owner in corporations in the form of stocks can increase wealth if

## InvestWrite Spring 2021 Official STATE Essays

done astutely. Mutual funds are a path to diversification in numerous companies and bonds and are another smart and less risky plan to build wealth because of low volatility. Personally, I have invested in one called Ave Maria Mutual Fund and have received considerable interest over a span of only one year. This money could be taken out anytime for any significant purchase, such as buying a house or car. This money could also be put into a retirement fund, to take care of my future self and my future family.

Next, I plan on putting another 30% of the money into paying bills and for basic necessities. Everyone has expenses that are needed for survival, such as utility bills and groceries. This much money could take care of paying bills for a long time, and having it set aside for this specific reason is important for paying on time. This helps with the fear of having the heat turned off in the middle of winter or the water being turned off. Another place I would put the money is in personal spending. This would include gifts for birthdays or Christmas, subscriptions to TV providers, any extracurricular activities I plan to do, or vacations. For this allocation, 20% of the portfolio will be a substantial contribution. Everyone needs downtime to recharge from a long day at work but having fun costs money. That is why it is important to anticipate a much-needed break by putting aside money to fund your vacation days.

“For it is in giving that we receive.” One of the most profoundly significant experiences that has been part of my growth as a person is taking care of the unfortunate. Ten percent of the money will go to tithing. Whether it is donating to certain foundations, like St. Jude’s Hospital, or to the local food pantry, helping those in need is necessary and beneficial for both the giver and the receiver. However, giving money is not the only way of helping the unfortunate. I also plan on giving my time and talents in volunteering to work at homeless shelters and other helpful organizations. The last 10% will go to an emergency fund. Accidents are bound to happen, and it could be devastating if not prepared. Putting \$10,000 into an emergency fund could help pay for medical emergencies, car troubles, and other unexpected expenses. Envisioning a planned portfolio is a beneficial way to start becoming financially savvy and could protect me from damaging debt and a lifetime of stress.

Becoming financially confident is one of my life-long goals, but it does not have to stop me from achieving some of my life-long dreams. Many people think that a happier life should be filled with living well beyond your means, and because of that standard of living, so many families live paycheck-to-paycheck. What many people do not realize is that destroying your life to ‘Keep Up With The Joneses’ will never lead to a happy life. Fulfillment does not come from money, nor does money solve real problems. Saving money for a better life is more important than spending money for a better life. That is why budgeting is a crucial way of becoming financially competent. “A budget is telling your money where to go instead of wondering where it went.”