FINANCIAL ADVICE

Brothers win state title in U.S. essay contest

■ JNPSD will honor Dakota and Riley Becker, winners in two different age categories.

By RICK KRON
Leader staff writer

For the first time in the 16 years of the national Investwrite essay contest, two brothers have won the state title at the same time, but in different age categories.

Riley Becker, who was a fifth grader at Bobby G. Lester Elementary at the time of the Spring 2020 contest, was named top financial writer in the state in the elementary division.

His brother, Dakota, a seventh grader at the Flightline Academy, won the same honor, but in the middle school division.

Investwrite is a program of the SIFMA Foundation and its volunteer judges have read about 250,000 essays since the contest started in 2004. The national contest is open to students who participate in the Stock Market Game.

Riley was in the groove during the COVID-19 virtual learning time as he also worked on a speech about scars for a state contest and took second place.

But their mom, Stephanie, said it like pulling teeth with Dakota, even though he enjoyed playing the stock market game, a prerequisite to the writing contest, and is a good writer. "I kept on him because he wasn't getting enough work from his school and I knew how much research the essay would take," she said.

Both students worked on the essay during their virtual classroom time in April – Riley as part-time of a fifth-grade writing assignment, and Dakota as part of an afterschool program, and both knew competition would be tough just from their classmates.

In Riley's case, the fall state winner, K.C. Dela Cruz, also wrote an essay for the spring competition and for Dakota, he knew Mariah Roberts, a former first place national winner, was looking to repeat.

Riley's job was to discuss, in 300 to 800 words, the keys to picking a good stock, a good mutual fund and a good bond.

The honor roll student who enjoys video games and taking on his brother in basketball had the basics of his essay done from playing in the state Stock Market Game. "Our research was good, but we didn't factor in the coronavirus," he said, adding that was how he started off his award-winning essay.

After about seven rewrites he was ready. It took big brother Dakota about 20 rewrites as he just could figure out how to start. "I love Fortnite and finally figured a way to combine the two because I discovered that there are a lot of similarities between the video game and the stock market," he said.

Both students will be honored at the JNPSD board meeting Sept. 8 and will receive $100, a certificate and a medallion.

"I'm going to use the money to buy a gaming headset," Dakota said, while brother Riley is thinking of putting some in the bank.

After all their research, Dakota says the secret is research and to invest early. Riley believes in mutual funds. "It's an opportunity to own more than just a single company."

Here are their award-winning essays:

Submitted photos

Dakota Becker (left), a seventh-grade student at Flightline Academy, won the state middle school contest, and his brother Riley, a fifth-grader Bobby Lester Elementary School, won the elementary school contest.

DO YOUR DUE DILIGENCE

By RILEY BECKER

Who would've ever thought that during the recent Stock Market Game I would gain so much knowledge and learn many valuable lessons. Since the Stock Market Game' first started in 1977, it's unprecedented that the Stock Market plunged this much because of a pandemic virus. Needless to say, the decline in the market slid faster than my Nana's buttered turkey blasting across the kitchen floor on Thanksgiving Day!

Furthermore, when my team picked stocks, a global pandemic wasn't on the radar and we chose what we thought were the best investments, then KABOOM — Coronavirus!!!

Our team went from first to last quicker than a lightning strike. It just goes to show you that even after spending hours pouring over growth charts, Betas, PEGs, mean recommendations, and leadership readings, our team was not immune to the virus.

According to financial guru Suze Orman, young people like myself should invest in mutual funds, over straight stocks, because they're both inexpensive and diversified, not to mention, they earn a steady rate of return as opposed to individual stocks, which are more unpredictable. I love the fact that I can have several of my favorite stocks all in one fund! Orman also recommends investing a fixed amount of money each month known as dollar cost averaging. Since investing comes with risks, you should always do your research. Benjamin Franklin said it best, "An investment in knowledge pays the best interest."

Suffice it to say, there are numerous angles to research when it comes to mutual funds, so I compiled three tips or keys that I believe are the most important: Evaluate a fund's past results, Know your fees, and Identify your risks.

By evaluating a fund's past results you can see how it's been managed over a long period of time, making sure the funds are consistent with the general market and that it doesn't have a high stock turnover rate. which could cost you extra fees and taxes.

Knowing your fees is especially important because it could cost you thousands on your net returns. Fees to beware of are front-end load and back-end load fees, which can be charged on some funds when you initially purchase or sell an investment or stock. Furthermore, keep an eye on the expense ratio, an annual fee charged as a percentage by an investment company to manage the portfolio. Costs between actively managed funds and passively managed funds like ETFs differ in percentage costs. The average expense ratio for an actively managed fund is between 0.5% to 1.0%, while ETFs and index funds tend to be lower. How much does a percentage really matter? Did you know that a fee of 0.5% vs. 1% could cost you $234,000 if you contributed $11,000 yearly over 30 years with an annual return of 8%?

Since investing is risky, one element that helps is the Beta, which measures the systemic risk of a portfolio compared to the market as a whole. The market has a Beta of 1.0, so a Beta less than 1.0 is less volatile than the market and Beta of more than 1.0 is more volatile, which could be riskier for the investor.

After browsing through dozens of mutual funds, I came across two that I think are a wise choice for any portfolio. I'm crazy about the Franklin DynaTech Fund (FDTRX) because it is diversified, consists primarily of large cap stocks and has a five-year average return of 14.55%. In addition, it's a no-load fund with a low expense ratio of just 0.51%, a turnover rate of 20.01%, and a beta of 0.98. Did I mention it also outperformed the market for several years!

I'm also liking Vanguard Total Stock Market Index Fund (VTSMX), which consists of everything but the kitchen sink! From large, medium, small, and micro cap stocks this fund has a very low expense ratio of just 0.14%. Although there's a minimum investment of $3000 and a slightly riskier beta of 1.04, this fund has been around for almost 23 years and has a five-year average return of 10.83%. Both of these funds are good long-term investments.

Despite the fact that my SMG team didn't do well in the spring game, I learned how important it is to diversify stocks within industries that short sales can be risky and timing is everything! On a positive note, I also learned that the market decline opened up opportunities to invest in stocks of some great companies for excellent prices. Although the length of the spring game was NOT on our side, I realized that Leo Tolstoy was right, 'The two most powerful warriors are patience and time.'"

FORTNITE AND SMG

By DAKOTA BECKER

Playing the Stock Market game is similar in some ways to playing my favorite game, Fortnite!

In the game of Fortnite you need focus, patience, and wise judgment to win the battle...and let me tell you, winning the battle in the spring Stock Market Game wasn't easy with a global pandemic virus being thrown into the mix! The Stock Market dropped faster than my health meter on Fortnite--I won't mention what my portfolio ended up looking like! Just like in Fortnite, the principles of focus, patience and being wise can be applied strategically when it comes to investing, starting with wise research. A good starting point for my research journey was Yahoo! Finance and Motley Fool...

I absolutely love Walmart as a stock investment! Walmart is a good solid company that›s been around for 58 years, employs over 2.2 million associates in 27 different countries. It›s amazing to think that in 1962 Walmart started out as a small little store in Rogers, Arkansas, and has grown into the billion-dollar global retail leader that it is today. Founder, Sam Walton›s imagination and innovation brought new approaches and technologies to retail, which proved to be fundamental in Walmart's growth. Walton was focused on serving his community and was committed to bringing value to his customers. Walton's mission was "to save people money so they can live better." In addition to saving people money, Walton felt that it was important to help support the local community and in 1979 the Walmart Foundation was established. The Walmart Foundation gives out more than $1 billion annually through grants to nonprofit organizations in the local communities that it serves. Grants are given to fire departments, law enforcement, education, community and economic development and military families to name a few. In addition, The Walmart Foundation donates 600 million pounds of food yearly to local food banks.

This past fiscal year, Walmart had revenue of $524 billion. Walmart (WMT) is a dividend stock with an annual dividend rate of 2.16, the stock has moved up 250 percent over the past five years and the company has had nine stock splits. Plus, the retailer has increased its annual cash dividend every year since first declaring a $0.05 per share annual dividend in March 1974.

After thumbing through Yahoo Finance and U.S. News, I came across Vanguard Total Stock Market Index Fund (VTI). I like VTI because it's a diversified fund that mainly consists of large cap stocks that include some of my favorite companies and has a 3-year return of 6.92%. In addition it has a low turnover rate of 4.00% and a beta of 1.04. This fund has been operating for almost 19 years. Did I mention that it has an extremely cheap expense ratio of only 0.03%! After digging through some of its holdings, I found several companies that support local communities and strengthen our economy. Two of those are Microsoft (MSFT) and Amazon (AMZN).

In 2019, Microsoft gave to 23,500 nonprofits and schools to include, the British Health Foundation, the Epilepsy Foundation and the Seattle Against (Human Trafficking) Slavery. The employees and the company contributed $181 million to charitable causes.

Over the past 20 years Amazon has hired 648,000 people, not including their recent announcement about creating 100,000 new positions amid the recent pandemic. The new positions are helping the community by allowing the people who are unemployed access to jobs. Aside from creating jobs, Amazon has donated $100 million over the last 6 years through their program called Amazon Smile. When shopping through Amazon Smile, 5% of the customers purchase on select items are donated to a variety of charities of their choice, which include hospitals, local charities, humanitarian organizations, pet shelters, schools and more.

Bonds are a whole other animal, they're not for everyone but can play an important part in the US economy by determining interest rates, which can affect the amount of liquidity. I like bond funds that focus on municipalities as those bonds help cities grow, create jobs which can benefit people locally by building schools and hospitals, to name a few. One bond funds that fit this category is SHM.

SPDR Nuveen Bloomberg Barclays Short Term Municipal Bond ETF (SHM) is an exchange-traded fund that invests in fixed income markets of the US by investing in tax-exempt municipal securities. This fund has a 3-year return of 1.55%, a beta of 0.36, a turnover rate of 35.00%, and a fairly cheap expense ratio of 0.20%. While bonds can be safer during volatile markets, they don't yield as much return as the other stock holdings. Since I'm young, I can sustain riskier investments and prefer investing in mutual funds, which yield more return.

Building an investment portfolio is a lot like Fortnite, which is a game of building and a game of playing your angles. Once you get up to the intermediate to high levels of competition sometimes position is everything and that means high ground is king.

The same can be said about investing — build it, play the angles and become king with a portfolio that's good for you and the community.

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