Should You Really Be Investing or NOT?

By David Teng

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Should You Be Investing?
Work vs. Investing

Let's say "little capital" means something like $10,000. Suppose you invest that in the stock market. You pick your own stock by watching finance channels, reading financial statements online, and keeping ahead on the news events.

You diligently work 2 extra hours per day on these investing activities. And you make 15% annually which is well above average.

So that year with your effort, you made $1,500.

You would then be below
minimum wage

Hmmm, $1,500 for about 2 hours/day. This comes out to about $2.88 per hour. But that is actually below the U.S. minimum wage...

Say you make $60,000 per year. If you devote that extra two hours per day to your job, can you make more?

Would a 25% extra effort make you stand out from your co-workers?

You Bet!

You only need a 2.5% raise to beat your investment in the stock market. If you are paid hourly, you can make up to
$15,000 more by working 2 extra hours per day.

Moreover, this is a compounded effort. 25% extra effort devoted to your career could be the difference between becoming the president of your company or a division director one day.

15% percent pay raise is
NOT even enough

However, when your "stock-investable" net worth exceeds your income then it is a whole different story. With
$60,000 capital, a 15% return equates to a profit of $9,000 profits annually. And You will need a 15% percent pay raise to beat that.

The following table should make things clear:

CASE 1: Salary Stock Investment

Specific Numbers:
Salary = $60,000
Stock Investment = $10,000

Salary x (2.5% Raise)
= (Stock Investment) X 15% Return

Conclusion: It makes heck of a lot of sense to bang away at your career.

CASE 2: Salary Stock Investment

Specific Numbers:
Salary = $60,000
Stock Investment = $100,000

Salary x (25% Raise)
= (Stock Investment) X 15% Return

Conclusion: What! I need a 25% raise to make more than my investment. I need to focus more on the more profitable income source.

As you can see, assuming a modest 15% return, it makes sense only to focus on your investment after you have saved an
"investment fund" larger than or equal to your current income.

100% Investment Return ...
Just A Thought

However, if you can get an above average return then it is reasonable to focus more on your investment even if your investment capital is less than your income. Let's look at the following case:

CASE 3: Salary Stock Investment

Specific Numbers:
Salary = $60,000
Stock Investment = $20,000

Salary x (33% Raise)
= (Stock Investment) X 100% Return

Conclusion: Holy Moly! 33% raise will probably take maybe more than a couple promotions. But how can anyone make 100% in a year?

Making in excess of 100% per year is not that difficult if you follow with discipline systems that had been proven to work:

Value Investing
Insider Trading Analysis
Industry Trend Analysis

What we have done is a very crude analysis of a hypothetical situation and it is very enlightening. There are really ONLY two choices before you have a net worth greater than your income:

Work Harder At Your Job
Or
Attain Superior Return from the Stock Market (which can be risky if you don't follow proven systems).

For more information and advices on investing and finance, please visit:
a href = " http://www.value-discovery.com " http://www.value-discovery.com/a