Good essay about betting on the future

Business, Company

Betting for the future is important in securing a better life. Prudent investment in stocks can be a significant source of benefits (Chan, Chia-Ying, et al. 162). The value foe cash is determined on how careful one invests his or her cash today. According to Lyons and Savage (21), investing in stock implies that one owns part of the company and benefits that are in terms of dividends. Despite earning of the dividends at the designated periods, one contains to be part of the company as long as there is ownership of shares. There are seven major steps that should govern a new participant to invest in a stock market with less risk. It is essential to understand the investments and differentiates the benefits that are related to the bonds and stocks before deciding on which to invest. It is significantly vital to study the history of the company in which to invest to learn more about its financial performance. Secondly, it is advisable to diversify your portfolio to avoid running at a risk of losing your investment. However, investing in high-risk stocks can fetch higher returns or result in worse loss. As a first timer in stock investment, it will be advisable to diversify your portfolio to reduce the risk of loss. Thirdly, a newcomer in the stock trading should not aim at beating the market, but rather participate in it. It implies that it is significant to learn and participate in the stock market before you start reaping the benefits (Chan, Chia-Ying, et al. 168).

A good example of a company that is profitable to invest in stocks is the Vodafone Company. Vodafone has had a fair history in its stock exchange for the past decade. The company is a multinational telecommunications provider whose headquarters is in London. It was founded in 1991 and over the years it has recorded a good financial performance. For instance, in the year 2014 the company’s total net profit was £59. 42 billion which was an increase be 2. 5% compared to the previous year (Howell 40). The company as well has a total equity amounting to £70. 80 billion. The company’s current stock price is £36. 91 per share, which is an increase by almost 2% compared to the previous year. Therefore, Vodafone is a good investment decision because the company has a good history in the increase of the price of its stock. Based on history, there is a constant increase in the share dividends at Vodafone. Figure 1 provides a summary of the Vodafone (VOD) increase in dividend payments 2010, 2011. 2012, 2013 and 2014 (Nargis et al. 40).

Figure 1: VOD Dividend Payout

Source: Radebe (41)

Vodafone's share price is expected to increase by 2. 6%, 2. 9%, 3% and 3. 8% for next four years respectively (Radebe 50). This implies that the company is a hot spot for stock investments. However, it will be advisable for the new stock investor to take time and learn the market before seriously engaging the finances in the stock investment.

For instance, the $5, 000 will be divided into shares worth 1, 000 to diversify the risk of incurring losses (Reddy 840). By investing in the Vodafone stock, Josie Santos will gain some benefits. The first benefit is the investment gain. Jose will have an opportunity to grow his invested amount of money. Since Vodafone is a stable company experiencing growth every day, there is a likelihood of growing his money. Secondly, investment is stock will earn divided income. To purchase one share of Vodafone will cost less than £30. 05 but it will be sold at £36. 91 or more. Based on the company’s share price projected growth, in less than five years the share price will have grown by more than 3. 0% (Reddy 840). Regardless of the loss of value of stock in the market, the shareholder will earn dividends providing an opportunity of growing money. Thirdly, diversification in stock investment will help in risk reduction and improve chances of gaining. By investing in various stocks within the Vodafone, Jose will reduce the risk of incurring losses. The fourth significance of investing in Vodafone shares is that Jose will have an opportunity to be part of the shareholders of the company. It implies that he will be one of the owners of the company (Arsov 56).

However, despite the many benefits associated with the investment in stocks, there are few risks that one has to consider. For instance, the shareholders are the last to be paid in case the company liquidates. The other demerit of investing in the stock market is that it is hard to control price fluctuations (Palmieri 343). Thirdly, investment in stock is considered risky than any other investment due to unpredictable economic changes. However, based on the analysis and history of Vodafone, the company is not likely to collapse. Therefore, they are great chances that the dividends will be paid in advance. Additionally, the company has had a good history of its share price increase and from the projections, the share price is likely to increase in the next five years. Therefore, investing in the Vodafone stock is likely to increase Jose's investment by more than 4%, and this will add value for his money instead of going to vacations.

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