How to Play the Stock Market Game

In this Game you hired yourself (The CFO of running your life) as the specialist in determining which company is worth investing in! Yes, your HARD-EARNED MONEY, including your retirement account, savings, 410k, Roth, SEPP, PSP, and IRA. Smart investing is the key as taking a loss is not an option, nor on your menu!

Based on your knowledge of MARGINS and RATIOS from playing The Lemonade Game you understand financial information, analysis of statements including trends, and you can make accurate predictions. On the next several pages are 5 companies with an offering to purchase a percentage of ownership from each one. After the offerings their balance sheets, Income statements, and other relevant data over the last few years that you will use to decide.

Please grade the worthiness of the 5 companies as their posted results tell the story. TTM is an abbreviation for Trailing Twelve Months and from that history you can see trends and the direction the company is headed. Pro Forma is a best guess of what may be possible?

HINT________

Many times, a stock can be very inexpensive and appears a good buy however, will the price of the shares price increase? Is there growth or decline? Will it produce a growing equity over the passage of time?

In many other situations there could be Structural Change or fast changing Market demographics in this 1000 MPH digital world. Generation Z or X may have different habits in contrast to the old Stallworth methods. Ai is also a game changer and may affect business models and future profits.

You will rate each company from the data provided and determine if the offering deal is investment worthy. Weighting is a way to determine how much you must invest and what percentage of that total you would allocate to that investment. Weighting simply put means you would put 20% of your funds here, 35% there, and maybe 5% in a riskier venture as an example.

How to Play the Stock Market Game

Risk, growth, compounding, company debt loads, the type of business and much more should be factored into your final decision. (after all this is YOUR RETIREMENT ACCOUNT and you are the CFO)

Which of the 5 companies are solid and can provide you security, meet your objectives, and have the best chance to build equity overtime? Are there any companies that appear a bargain but are all smoke and mirrors because their financials are headed in the wrong direction and make it too risky?

Low ratings of one or two stars are a very poor rating and probably not worth the risk or the stock is over-priced. Three stars is about average, four stars demonstrates excellent investment opportunity, Reserve 5 stars for the best and a must have in your portfolio. An “X” is a total rejection!

After a review of each company’s metrics and your star rating and weighting of the funds available we will have a discussion as to the merits and the faults of each offering. Place the star rating between 1 and 5 in the space provided and the weighting as a percentage under each company’s metric. Are there any other ratios of factors that you would like to evaluate or might be important to making an informed decision?

If this was a Real Estate commercial building, a parcel of land, or multi-family residential the headings and data would change however the process would be very congruent using the PROFIT and LOSS annual property operating data (APOD) and capitalization rate to determine worthiness of your investment dollars! Then you may decide to leverage by borrowing a portion of the acquisition.

How would that affect your decision? Stay Tuned and keep playing The Lemonade Game. We will examine other assets, tax benefits, and evaluation in future chapters.