

MAKING A MILLION WITH ONLY \$2000 OR BETTER YET MAKING \$42 MILLION WITH ONLY \$1000

THE MONEY MARATHON BY ED DOUGLAS CFP®

My first book of three books was titled; *Making a Million with Only \$2000-Every Young Person Can Do It*. The concept of this book in a nutshell was that \$2000 earned and invested by a young person in the stock market, within a tax free Roth IRA would compound to \$1,000,000 in 54 years given the compound rate of return of stocks at the time I wrote the book (12% then, now closer to 11%). The idea was to encourage students and young adults of the importance of saving and investing early in life and help them understand the powerful concept of compound interest. Compound interest of course is the concept of allowing interest to be continually added back to the original principal. With compounding even \$1 per day saved and invested can grow to over \$1,500,000 in the same 54 years. (By the way, this book, along with *The Money Marathon-Seven Simple Steps to Financial Freedom* (a concise personal financial plan) and *25 Truths: Life Principles of the Happiest and Most Successful Among Us*, a book about character and values, are all available on my website eddouglas.com or just email me at ed@eddouglas.com that you would like a book and I will mail one to you. Price per book is \$9.99 or \$12 with tax and shipping)

Recently, my concept of “making a million with only \$2000” was expanded on to an even greater degree by a recent article in Forbes Magazine written by Ken Fisher, “Turning \$1000 into \$42 Million”, December 13, 2013. In this article Ken Fisher discussed long time columnist Lucien Hopper, now deceased who wrote for Forbes for 29 years. Although there is a little “cherry picking” here, Fisher reviewed some of Hopper’s recommendation from his columns and determined what \$1000 invested in those selections would now be worth. The topper is Kansas City Southern which was recommended by Hopper in August of 1949. \$1000 invested in that stock then would be worth \$42 million today. I did some calculations and that computes to an 18% compounded rate over 64 years- pretty amazing.

Other recommendations by Hopper included Royal Dutch recommended in 1974. \$1000 invested in that stock would be worth \$452,000. PPG Industries was recommended in 1976 and \$1000 then would be worth \$172,000. Motorola Solutions was recommended in 1950 and \$1000 invested in that stock would be

worth \$735,000 now. Finally, \$1000 invested in Proctor and Gamble recommended in 1950 would now be worth \$1.1 million. By my calculations the compound rate of return of these four stocks from the time they were recommended are 17%, 11.6%, 11% and 11.8% respectively.

According to Fisher, Hopper had two classic lines he used. One was “(Investors) make more money with the seat of their pants than the soles of their feet.” The second quote was in explaining the difference between short-term and long-term plays as the kind you ‘take out for the evening’ versus ones you ‘take home to mamma.’ He dealt with both but said you make more money with mamma. Hopper’s points are well taken that long term investing in good quality companies is still a very viable investment strategy regardless of numerous ads denouncing buy and hold as dead. Even with the worst bear market since the Great Depression in 2007 through 2009, an investor who lost 56% of his value of stocks during that period would have recouped the entire loss during that period with a 23% profit if he continued to hold his stocks.

When markets decline quickly, it can be difficult to keep your cool and not panic. But history shows that buying and holding good quality stocks for the long run is a proven way to wealth.

Remember that every investor’s situation is unique and that it is important to review your specific situation with a financial professional.

Ed Douglas is a Certified Financial Planner CFP®/Consultant, Chairman Emeritus of Citizens Bancshares, and author of three books: *Making a Million With Only \$2000-Every Young Person Can Do It*, *The Money Marathon: 7 Simple Steps to Financial Freedom* and *25 Truths: Life Principles of the Happiest and Most Successful Among Us*, available at www.eddouglas.com and on Amazon. Ed may be contacted for financial planning services or seminars based on his books at ed@eddouglas.com or at his office at 660-646-2066.