



Hot Tip Stocks

Dear Dr. Per Cap:

I want to get rich investing in the stock market. What's the best way to find the next million dollar stock like Apple or Microsoft?

Signed, Stocking Up

Dear Stocking Up

I love your enthusiasm, but like my uncle used to say when he let me drive his truck as a teenager – slow down young buck!

Getting rich in the stock market isn't as easy as it looks on YouTube. There are over 3,000 exchange listed companies in the United States. However, over the last ninety years, only twenty stocks have accounted for 25% of the total dollar wealth creation in the stock market. That's a short list that includes yours truly, Apple and Microsoft. Along with Exxon Mobil, General Electric, IBM, Altria Group, General Motors, Johnson & Johnson, Walmart, Procter & Gamble, Chevron, Coca Cola, AT&T, Amazon, Du Pont, Alphabet aka Google, Merck, Wells Fargo, Intel, and Home Depot.

So the lesson is - stocks that can make a person crazy rich are very few and far between. In some cases picking those winning stocks is just plain luck. It sounds exciting but unfortunately the odds just aren't in your favor.

Furthermore, if I knew how to find the next Apple, Amazon, or Walmart I wouldn't be writing about it. I would have retired to a beachfront bungalow in Kauai years ago.

That's why I always recommend people don't look to the stock market to get rich. Invest instead to safeguard assets, weather inflation, and grow capital in line with your chosen risk tolerance. For most people a sensible portfolio of three or four well managed mutual funds will address these goals quite nicely.

I know, I know - boring answer. Ok, if you insist on swimming in the deep end, here are a few questions to consider while researching future super stocks.

Does a company have the potential to capture a massive market?

How big is massive? Look at Facebook. With over 2.5 billion active monthly users, 33% of the world's population embraces the slogan "It's quick and easy."

Does a company have an unfair advantage over competitors such as patents, intellectual property, or an extremely high profile brand?

Think about proprietary computer algorithms that allow Google, Amazon, and Netflix to hone in on customers. Go back in time when Coca Cola created a uniquely sweet beverage that had folks lined up in droves. How about McDonald's which engineered a system for mass producing hamburgers. I could go on but you get the point - tough to compete against companies with an edge.

Is a company's business scalable?

Every billion dollar company can sell their products to 100 people, 100,000 people, or 100 million. That's scale and the reason why Ed's Lawn Mowing Service will never be a billion dollar company. A person can only cut so much grass in a day.

No one knows what company will be the next super stock. But you can bet it will have all of these bases covered.

Ask Dr. Per Cap is a program funded by First Nations Development Institute with assistance from the FINRA Investor Education Foundation. For more information, visit www.firstnations.org. To send a question to Dr. Per Cap, email askdrpercap@firstnations.org.