

Consider This....

How to impress your family with your college education

by Tom Becker

Being home for the holidays usually ensures us of the ominous family gatherings complete with crying babies, hard-of-hearing elders and too many cooks in the kitchen. We college students are fair game for the less intellectually secure who challenge our new-found knowledge. So, when Uncle Henry confronts you with, "If you're so smart, tell me what

you've learned at Penn State," thoughtfully pour more gravy on your stuffing and dazzle him with this bit of financial trivia.

Let's pretend we have \$50,000 to play with. We go out and buy XYZ stock at \$100 per. We are able to buy 1000 shares or \$100,000 worth because we purchase "on margin". Margin requirement is the percentage of up-front cash needed to buy

stock. Currently this 50 percent. Therefore, 50K in cash gets us 100K in stock. Remind Uncle Henry how margin requirements were so integral to the stock market crash. He may not remember the actual causes of the times. He's more likely to remind you, one more annoying time, that what he remembers most about the crash is how he had to walk

miles and miles through the snow to school.

Getting back to the subject, the key here is timing. We don't want to buy the stock on just any day. We want to buy the stock five days before the dividend is paid. The reason for this is simple. Every transaction takes five days to clear so we won't own the stock until the day of record for dividend payments.

The next day, four days before the day of record, we sell the stock on the market. Records will show us selling the stock on the day after the dividend is issued. Officially nothing has happened yet. However, our work is done.

We have bought and sold \$100,000 worth of stock thus far. We borrowed \$50,000 for one day. Assuming a 10 percent

annual interest rate, we incur a cost of approximately \$15. This is the interest on \$50,000 for one day. Secondly, we have commissioned a broker to buy and sell the stock. Given the size of the transaction, and recent regulatory action, we can probably negotiate a fee of 1/8 of a point for each share. This translates into \$125 for the purchase and \$125 for the sale. Total cost is \$265. Don't worry Uncle Henry, we aren't in any trouble yet.

Assume the stock pays a modest \$1 dividend. We receive our check for \$1000 and pay the bills. The net gain is \$735. Not bad for one day's work. If we work one day a week, yearly income is over \$38,000. If we are really enterprising and do this on a daily basis, we bring home almost \$200,000. How's business with you Uncle Henry?

Now comes the realities which you might want to forget to tell Uncle Henry. However, do tell Auntie Em to keep Uncle Henry from mortgaging the farm.

Somewhere on Wall Street, there is an obscure person in an obscure office who is the "X-man". He makes sure that an "X" appears before the name

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OLMSTED AUDITORIUM ☆ FRIDAY, NOV. 15th ☆ 8PM

For your info...

Capitol Campus' "Lost and Found" is located in the Business Office, room 114 Olmsted Building. Many items are currently in the lost and found. A new pair of glasses, keys, jackets, and sweaters are among the items there now. Stop in to check if any of these items are yours.

Outdoor Club Offers:

KILLINGTON VERMONT SKI WEEK

JAN 5-10, 1986

Intercollegiate Ski Fest Week

Cost: \$170 (per person)

Includes: 5 nites in family style, kitchen-equipped condo and a 5½ day ski pass

Deadline: Dec 5, \$50 deposit (non-refundable)

Limit 15 persons
SIGN-UP
EARLY

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6 mountains
100 trails, 17 lifts,
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Guaranteed Snow!



Come to our meeting Nov 20, W-138, 3:30pm
or CONTACT: Rich Morando, 317 Church Hall, 948-6319
John Shenal, 332 Church Hall, 948-6320