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FINANCIAL MANAGEMENT



Breaking Up Is Hard To Do... Why Selling Our **Stock Market Investments** Is Against Our Nature

Americans Love to buy stuff. We love to consume. As a matter of fact, we love to consume so much that we are even categorized as consumers. I don't know how you feel about being called a consumer, but I have always felt a little insulted. Nevertheless, every AD we see, every "pitch we hear is dedicated to the proposition that our needs, and desires will be filled if only we buy something. Buy, Buy, Buy.

It's the same for investing. Turn on the TV, and you hear "buy this stock, buy that stock". Pick up a magazine at the airport, and it's, the "10 stocks to BUY now", the "10 Best Bargains for 2010" or "New **Stock Market Strategy** for Buying." And so on.

You know what's missing? It's the message about when to sell. With investing in the stock market, the easy part is always the Buy decision. It's the natural thing to do. Investor, by and large, are optimistic people and it fits in well with our view that conditions will always improve over time. The economy will grow and by "owning" **stock market investments** we should be able to participate in this growth.

I am in this camp. If you have heard my thoughts before, you would know that I am eternally optimistic and I believe there is good reason to be so. The economy DOES grow over time and good companies will on average, be able to tap into the growth and create real wealth for shareholders.

But that is only half my point today.

Our sunny attitudes and our natural propensity to buy stuff, can lead to investment **risk management** troubles if we don't learn how to sell.

Selling is hard. It is an exercise that may not end in optimism. It makes a pessimistic statement. As a matter of fact, selling can be like a break-up. It is the end of something. Now I don't mean to exaggerate this too much, but suffice to say, selling our **stock market investments** is against the nature of many of us and the sooner one realizes this, the better investor they will become.

Why is this topic today? I am currently reading a book entitled "It's When you sell that counts" by Donald L. Cassidy. This book was originally published in 1991 and it contains some very wise **stock investment advice** on this very subject.

Let me share an example with you. Ask yourself if this isn't you. Have you bought a stock only to see it decline right after you bought it? We all have. What is the thought process at this particular time? Well, all is still intact, the reason I bought it has not changed, and in fact since I just bought it a few days, week, months ago, how could I have not seen the change coming? It will come back, this is only temporary. XYZ is still a great company, I mean it is one of the largest companies in its industry and it has a history going back to the 18th century. And that dividend! It's great.

Pick your reason for justification. Maybe your **investment strategy** is, "it's different this time". Internet stocks are going to change the world and this is the best name in the business. Bio stocks are leading the way in health care.

By the way, the company I was talking about which you had a great dividend and has been around in some form since the 18th century is Citicorp. In 2007 this stock sold for over 50 per share, paid over a 5% dividend and was considered one of the best banking institutions in the world. Today, it is 3.5 per share, pays zero dividends and has become a back-water player in the banking industry.