

Probabilities of Stock Investing

I recently saw a study that helped confirm something that I've known for many years but just didn't have the data. It's the **probability that you will lose money on stocks** based on holding them a certain time frame. The statistics shouldn't be too surprising.



In the 10 years I spent in financial education I would witness these probabilities come true as people would “trade” their hard earned money away looking for the next home run. I could tell you sad story after sad story of those that just didn't understand the importance of building a portfolio based on fundamentally sound stocks . . . stocks that you would actually want to be a business owner in . . . stocks that you may never want to sell. Warren Buffett said something as it relates to the types of stocks you want to buy . . . *“when we own portions of outstanding businesses with outstanding managements, our favorite holding period is forever.”*

The problem that most people will never be able to solve lies between the ears . . . it's psychological. People want to make a trade and immediately see a profit, if they don't see that profit then they immediately sell (or are stopped out) and realize a loss. Then they make another trade, don't see an immediate profit, realize another loss and the cycle goes on and on. (In all of this they don't even factor in the cost of commissions which compounds the problem. This is a story for another day.) We live in an “immediate gratification” type society which just doesn't work in the world of investing.

At IGGA we focus on a certain process for investing in stocks. If you want to learn more about the process [click here](#). If you want to watch a webcast on the process [click here](#). This process only involves buying stocks that we really feel will do well over the long run. By sticking with our process we feel that it puts the probabilities on our side and that those probabilities

work out over time in a way that helps our clients accomplish their financial goals.

Lastly, I would urge anyone that is managing money for themselves to review where they stand currently. Do a self assessment. If you're getting crushed by the probabilities then you need to re-evaluate the way you are investing. Remember, your retirement is at stake . . .

Successful investing.