The 3 Biggest Mistakes Investors Make When It Comes To Selling Their Stocks

...and a simple **three step solution** to consistently outperform the market year after year after year.

VectorVest®

Dear friend and fellow investor,

Thank you for downloading this powerful report to help turn your portfolio around by giving you quick and easy techniques to know when to sell your stocks.

Over 80% of our clients have told me they struggle with selling stocks more than anything else, which is exactly why I have put this report together for you.

Are you tired of:

- Holding onto a stock, watching it drop and hoping it will come back?
- Having a profit in a stock, not selling it and then eventually selling it for a loss?
- Buying a stock and watching it go down right after you bought it?
- Having a few losing trades kill your portfolio?
- Market volatility causing you to sell a stock only to watch it rebound the next day?
- Feeling the market gods are against you?

If you are, you're not alone. Knowing when to sell a stock is the most difficult thing for most investors.

Not knowing when to sell causes frustration & anxiety and typically leads to you losing money. Suffering losses, especially large losses, shakes your confidence; not only in your investing, but you begin to question other areas of your life. You begin to feel like you're a failure at everything.

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You begin to take unnecessary risks to make the money back you've lost which leads to bigger losses. You begin to fear you won't have enough money to retire.

So where do you want to be?

- You want more winners and fewer losers
- You want steady gains you can rely on
- You want to buy stocks and have them go up after you buy them, not down
- You want to be able to make money consistently
- You want to be confident in yourself and your ability to trade

If that is what you want, what's holding you back? For many investors, it's not knowing when to sell their stocks. And holding onto losers too long—while selling winners too early.

In order to consistently make money in the market, you must know how to maximize your profits on winning trades and minimize your losses on losing trades.

The 3 step system in this report will show you how to determine when to sell a stock.

Before we get to the system, it is important we understand the three biggest mistakes investors make when it comes to selling their stocks. Understanding these mistakes will reveal WHY selling a stock is so difficult for most people.

BIG MISTAKE #1—
YOU THINK OF THE MONEY FIRST

One of the biggest mistakes you can make is to think of money first. I know, I know, the main goal of investing is to make money, right? Well, isn't that true for any profession? Everyone in every profession wants to make money, but do all professionals think of money first when doing their job?

I mean, how would you feel if you were sitting in the dentist chair getting ready to get a cavity filled or some other work done and you knew your dentist was thinking about how much money he was making off of you?

I wouldn't feel great. Do you think that dentist would do his best work? No way. He should be thinking about doing his job well!

Successful people go into work and concentrate on doing their job well. That is the key statement. If you are successful with your job, you do your job well. If you do your job well, you get paid for your good work.

The point of this, is that ***successful investors*** don't treat trading as a hobby. They treat it as a job. Just like a dentist... and just like all of you with your job... you think about doing your job well. If you do your job well, the money will follow as a result.

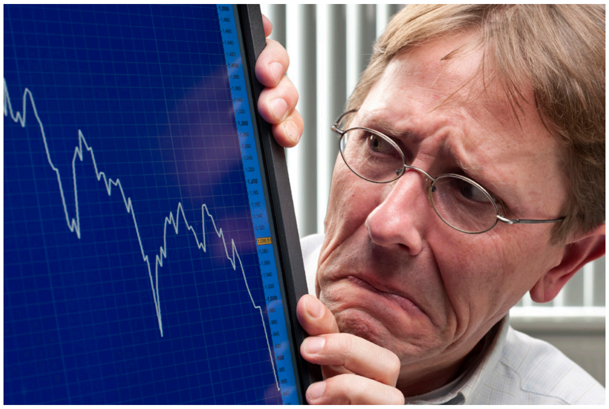
So your goal as an investor is to make the best trades. You should write that down and underline it. My goal is to make the best trades. If you made the best trades, money will follow from that.

BIG MISTAKE #2—
YOU TRADE BASED ON EMOTION

We've all been there. We let emotions get the best of us. Put a check next to any situation below that has happened to you.

- ❑ **GREED**—You had a profit in a trade, but didn't sell because you wanted to make more.
- ☑ **HOPE**—A stock you own is down, you don't sell because you hope it will come back.
- ❑ **FEAR**—You own a stock and are afraid it may drop quickly. Perhaps you risked a little too much of your money on that trade.
- ❑ **FRUSTRATION**—You sell only to watch the stock continue to rise.
- ❑ **ANGER**—The stock you once had a profit in drops and you now sell it for a loss.
- ❑ **DESPAIR**—Losing trades add up and your portfolio is nearly crippled.

If you made at least one check, keep reading. You're in the right place.



Being emotional has a place, but its place is not the stock market. When you are emotional you are not thinking clearly and you make poor decisions. You make decisions you would not make otherwise.

Think about when you were a teenager and fell in love for the first time. You probably did some pretty foolish things.

Have you ever had road rage and made some poor decisions behind the wheel? You get the idea.

Anytime you are emotional, your decision making process becomes cloudy. A little bit later, I'll show you how you can remove this emotion from your trading.

BIG MISTAKE #3—
YOU GO INTO THE TRADE WITHOUT A CLEAR EXIT STRATEGY

The main reason emotions creep into your trading is because you enter a trade not knowing exactly when you will sell it.

If you currently have stocks in your portfolio, ask yourself if you know exactly what will cause you to sell them. If so, do you have it written down? Even more important, will you follow it?

You probably wouldn't have downloaded this report if you answered yes to those questions. So keep reading...

Think about this, when you get on an airplane, before the plane even moves an inch, the flight attendant tells you how to get off the plane in case of an emergency and tells you to locate the exit nearest you. You also know how to get off the plane if it lands safely, right? So whether things go the way you want or not, you know how to exit.

You need to have the same thought process in place for each of your trades. If things go well, when will you sell? If things don't go well, when will you sell?

Alright, so you've been making those mistakes...now you need to know how to fix it and turn your portfolio around.

3 STEP
PORTFOLIO MANAGEMENT SYSTEM

STEP #1—
SET YOUR MAXIMUM LOSS

The first thing you need to do as an investor is ensure your survival. If you were to look at your trade history and sorted it by the gain or loss, I bet there are probably a couple of trades that you wish you could take back. Those are the trades that most likely killed your portfolio for the whole year or worse yet, killed your portfolio entirely. If you didn't let those trades get away from you, your portfolio might even be ok.

By setting a maximum amount you are willing to lose on each trade, you are actually minimizing your losses. This is key to your trading survival. If you allow yourself to lose too much on each trade, you can only have a few losers in a row before your portfolio is crippled. Remember, not every trade you make will be profitable so you need to ensure your survival in case you do run into a string of losing trades.

To set your maximum loss, follow this guideline:

Only risk losing 1% of your total capital on each trade. In other words, set your stop price so your maximum loss on any trade is no more than 1% of your total capital. Here is a helpful worksheet you can use.

Let's say for example, your trading account is $100,000. If so, 1% of that would be $1,000. That doesn't mean you can only invest $1,000 into each stock. It means you should only risk losing $1,000 on each trade.

If you choose to put $20,000 into a single position, you would need to use a 5% stop loss to ensure the most you lose is $1,000. However, you may think 5% is too tight and doesn't give your stock enough room to move. If that is the case, you can invest $10,000 in that stock and that will allow you to use a wider stop loss of 10%.

Account Size	1% Risk	$ per Trade	Stop Loss %
$100,000	$1,000	$20,000	5%
		$10,000	10%
		$5,000	20%

Account Size	1% Risk	$ per Trade	Stop Loss %

Before entering any trade, you should fill in this table so you know how much to risk, which will help you know when you should sell a stock.

STEP #2—
NEVER GIVE BACK MORE THAN HALF YOUR PROFIT

Many years ago, I placed an option trade on a stock, Silver Wheaton (SLW). After only a few days, I was up over 80%! I was patting myself on my back, congratulating myself and thought I was a genius. Did I sell it? Of course not. If I was up 80% in just a couple of days, I imagined all the riches I would have after a few weeks.

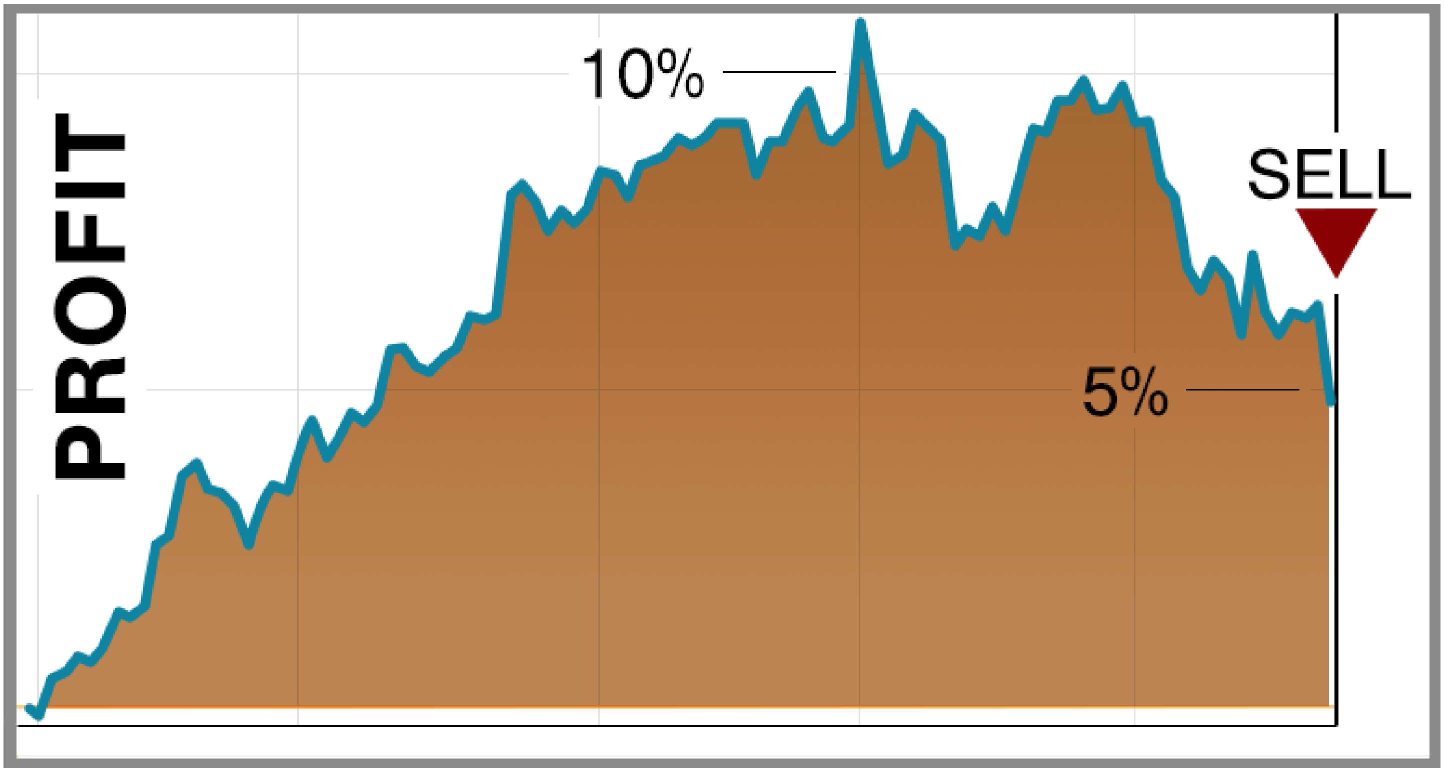
Soon, my 80% turned into 60%, then 40% and I said things like, “I’ll give it more time. It will come back.” Then 40% turned into 0% and I said, “I can’t sell it now, I used to be up 80%. I’ll give it more time.” The 0% then turned into -20%, -50% and I said, “I might as well hold on now and see what happens.” Eventually, that option trade lost 100%. So much for being a genius, right?

The main thing that taught me was to never give back more than half of my profit. I would never watch a profitable trade turn into a loser again and neither should you.

You should never lose more than half your profit.

You should never lose more than half your profit. Now, does that mean if you have a profit of $10 you should sell if you are up $5? No, but you should have a profit objective and never lose more than half of that profit. I would suggest starting with 10% and once you hit 10%, make sure you walk away with at least 5%.

Profit Objective Example



STEP #3—
BUY THE RIGHT STOCKS AT THE RIGHT TIME

Wow! Genius, right? Okay, okay, you've got me. But there really is not a better way to state the third step. You are going to be buying the right stocks at the right time. What are the right stocks and what is the right time you ask? I think it would be better to start by explaining what the wrong stocks are.

Wrong Stock #1—
A Stock Moving Down In Price

One of the worst things that investors get taught is to buy a stock that is moving down in price. After all, isn't it cheaper? There is hardly a worse thing you can do. There is a well-known saying, "Don't try and catch a falling knife." If you do, there is a high probability you will get hurt. When is it safe to catch the knife? Once it has hit bottom. The key with stocks is to know when they have hit bottom. I once heard an investor ask Dr. Bart DiLiddo, Founder of VectorVest Inc. when he knew a stock had hit bottom. His reply was very simple, "When it begins to go back up." Now **that** was genius!

Stock Moving Down in Price Example

Wrong Stock #2—
A Volatile Stock

Babe Ruth was one of the best home run hitters in baseball. But a fact we don't often hear is that Babe Ruth also led the American League in strikeouts five times. Some investors like the thrill of a possible home run so they buy stocks that have wild price swings hoping they are going to catch it at the right time. More times than not, they end up striking out.

If you are like me, you like your sleep. Volatile stocks do not have what I like to refer to as "The Sleep At Night Factor." Owning a volatile stock makes you nervous & worried about what the next day's trading may bring. Even the slightest down move in that stock may spook you because you think it will drop drastically. Typically this causes excess selling.

Some investors think that once they buy a stock, things will change. "Sure a stock might have been volatile before, but once I buy it, it will be smooth sailing."

Yikes!

Remember this, what you see in the past is most likely what will happen in the future. If a stock is volatile in the past, it will most likely continue to be volatile moving forward.

While there is a possibility the stock may rise over time, it is going to be a wild ride. Most investors can't (and shouldn't) handle it.

Volatile Stock Example

Now that you have an idea of what the wrongs stocks are, let me re-word step #3.

Buy Steadily Rising Stocks with Steadily Rising Earnings in a Rising Market

Guess what? It works!

There is no need to get super complicated right now. You can get all "fancy" with other techniques once you've nailed this for 6-12 months.

I can hear you now, "Wait a minute. Did you just say it would take 6-12 months?"

Yes, it will take 6-12 months to completely break old habits and prove to yourself you can consistently get the returns you want. That doesn't mean you won't begin to see results sooner. In fact, I'm highly confident you will see results after the first 30 days.

You still with me?

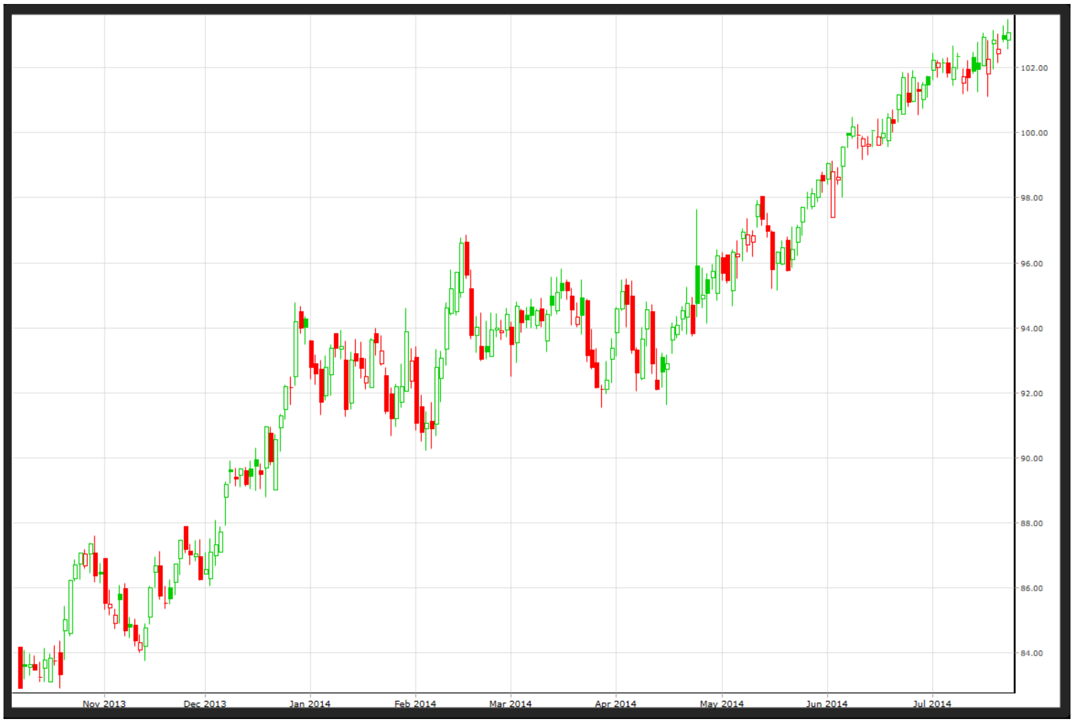
Fantastic! The next piece of information is the most important so keep reading…

Since you don't want to buy a volatile stock that is moving down in price, it only makes sense that you should focus your attention on stocks that are steadily rising in price and are not volatile. Let's look at an example.

Ideally, you want to look for a stock that looks like this. Here are some qualifying questions to ask yourself.

1. Over the past year, does the price move from the lower left corner of the graph to the upper right corner?
2. When the stock does pull back, what is the percentage of the pull-back before it starts to move back up?
3. How quickly does it drop? (3-5 days, 3-5 weeks?)
4. Can I handle that if it were in my portfolio? (Does it give me the "sleep at night factor?")

Steadily Rising Stock Example



We've found that there is one main thing that drives stock prices higher and higher over time...Rising Earnings.

Earnings is the engine that drives stock prices higher.

When a company's earnings are rising, that company can grow. It can put more money into research & development. We've found that companies with rising earnings have stock prices that tend to go higher. Wouldn't you rather invest in a company that is making money and making more and more money every year?

Price and Earnings

The single most important thing you need to know before you place any trade is the Market's Trend.

You might have heard or been taught that no one can 'time the market'. There is a huge difference between 'timing the market' and 'predicting the market'.

I agree that no one can predict what is going to happen in the stock market. However, it is possible to determine the trend of the market.

Conventional wisdom says that stock prices move in a random fashion and you cannot 'time the market'. While I would agree if you looked at the prices of individual stocks you would think the market is chaotic. However, look at the graph below showing the market since 1999.

Total Market Since 1999

It is clear to see that the market moves in a remarkably deliberate fashion, forming up and down waves as time goes by.

The key then is to determine the direction of these trends as they are unfolding. Never try to predict what will happen. Remember, "Don't try to catch a falling knife."

If you buy stocks at the wrong time or you hold stocks while the market is in a downtrend, your portfolio can suffer losses from which it may take years to recover.

I talked to many investors who held stocks in 2008. The average mutual fund dropped over 40% and the S&P500 dropped over 38%.

Keep in mind, if you lose 40% in your portfolio, you would need to gain 66% just to get back to break even.

What do you do now?

Get Started!

Step #1—Set Your Maximum Loss

Set your stop price so your maximum loss on any trade is no more than 1% of your total capital.

Step #2—Never Give Back More Than Half Your Profit

Set a Profit Objective and never lose more than half of that profit.

Step #3—Buy the Right Stocks at the Right Time

Buy steadily rising stocks with steadily rising earnings in a rising market.

You will begin to grow your confidence.

You will begin to see your winning trades increase.

Your losing trades will decrease in number and severity.

Whatever you do, don't give up!

Like anything in life, it will take practice before you get the hang of it. Keep at it! You WILL improve your portfolio!

Free Online Training

If you have learned valuable information reading this, check out when I'm running our next free online webcast! I'll load you up with more money-making and money-saving information in one hour than you could probably get in a year...

To watch the webcast, visit

www.vectorvest.com/betterinvesting

In the meantime, you can get started on doing the things we discussed right here. You can even see how easy VectorVest makes it, by taking advantage of the 5-week, Risk-Free trial. Your satisfaction is 100% guaranteed!

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