

## The Buy and Sell Strategy

One place to invest is the stock market. An optimistic strategy is “buy low, sell high”. The problem is most people don’t want to buy a stock when it is down. They may think that it could drop even further, so they choose to wait to buy. Instead, they buy when the stock rallies, and everyone is excited about its prospects. So, here they buy high, instead of buy low.

The other side of the coin is when people sell. The right strategy is “sell high”. But, who wants to sell a stock that is on the rise? You may think that the stock has not reached its peak, and will continue to rise. If the stock price starts dropping, people tend to wait it out, thinking that eventually it will rally. If the stock continues to drop, or bottoms out, you may sell it.

So, essentially what has happened is that you bought high and sold low. Just the opposite of what you should have done. Why does this happen? Well, emotion plays a role in this. When the stock price increases above what you pay for it, it reaffirms that you made the right decision. When the stock drops, there might be some pride involved here and a reluctance to sell.

How can you remove the emotional component from the buy & sell strategy? One way is to not make decisions in the heat of the moment. Make realistic buy and sell price decisions before you purchase the stock. And, stick with them. Most of the time, people put more thought into when to purchase a stock, but not much into when to sell it. If you use the *buy and sell* strategy, pay equal attention to both.

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1250 S. Capital of Texas Hwy -- Bldg. 3, Suite 400  
Austin, Texas 78746  
(512) 329-2020 - [www.brycast.com](http://www.brycast.com)