

## investmentSDirect

### Taking A Call When To Sell

#### Predetermined levels are a Good Defense

Last investmentSDirect (*Selling a Losing Position*) we looked at why taking a selling decision is important while rebalancing and reconstructing your portfolio.

This article takes the concept a little further.

Your portfolio would not succeed your investment objective unless you **have a predetermined defense strategy to prevent excessive losses**.

We say "predetermined" because either before or at the time of purchase is the time when you can **think most clearly about why you would want to sell**.

You **have no emotional attachment before you buy anything, so a rational decision is likely**.

Once we own something, we tend to let emotions such as greed or fear get in the way of good judgment.

We could manage these "predetermined" levels through what we call as **"trigger-based selling calls"**.

#### An Adaptable Selling Strategy

But for someone who has not yet fixed his/her "predetermined" levels, a rebalancing act that calls for selling; needs to be handled - by **asking yourself the following questions**:

1. **Why did you buy the stock/scheme?**
2. **What changed from then?**
3. **Does that change affect your reasons for investing in the company/fund?**

This approach requires you to **know something about your investing style**.

If you bought a stock/mutual fund because your uncle or colleague said it would soar, you'll have trouble making the best decision for you.

If, however, you've put some thought into your investment, this framework will help.

This approach can be applied by any investing style.

It requires thinking and work on your part to ensure **these guidelines maximize the effectiveness of your investing style**.

## **Choose Your Exit Strategy Beforehand:**

All investors are different, so there is no hard-and-fast selling rule which all investors should follow.

Even with these differences, **it is vital that all investors have some sort of exit strategy.**

This will greatly improve the odds that the investor will not end up holding worthless papers at the end of the day.

The point here is to **think critically about selling to rebalance/reconstruct your portfolio.**

Know what your investing style is and then use that strategy **to stay disciplined, keeping your emotions out of the market.**