Investors: 3 Tips to Simplify Your Stock Portfolio Management for 2021

Description

Most people don't have tonnes of time to manage their stock portfolios. As you step into a new year, it's the perfect time to perform a year-end review of your stock portfolio. If you wish to spend less time managing your portfolio, here are three tips you can consider.

Automate the process

If you have at least a few years of stock investing experience down your belt, you should have an idea of what works and what doesn't work for you. A review of your past trading record and reflection of wins and losses should give you some ideas.

Many investors get swayed by emotions of fear and greed. For example, during its over five years on the **TSX** so far, **Shopify** stock has had multiple selloffs of 10-30%. Investors who gave way to fear would have been shaken out and missed some of the best gains in stock history! In the last three years, the growth stock is up 1,000%!

Automating the investing process can greatly mitigate the effects of emotion. You should identify a list of quality companies you want to own. Additionally, you'll need to come up with your personalized list of rules to follow. Here's a simple example.

- Invest in a stock whenever your investable savings add up to $1,000.
- Do not allow a sector to be worth more than 20% of your portfolio.
- Update your quality list of companies every three, six, or 12 months with price ranges you are willing to buy at.
- Remove stocks from the list if you think the underlying business fundamentals are broken.
- Add new ideas anytime you find promising prospects.

Before you automate your process, you should also have identified and written out your portfolio's financial goals. The following is a simple example:

- Income goal: A current yield of +2% or dividend growth of +5%, or

- Total return goal: A target annualized return of +10%

Limit trading

If you've written out with clarity your portfolio goals and how to achieve it with your unique process, you should be able to limit trading. Ideally, to limit trading and the amount of time required to manage your portfolio, you should focus on building a buy-and-hold portfolio.

Essentially, it's a portfolio of businesses you believe have long-term prospects — stocks that you are comfortable adding to in a 50% market crash. This way, you can forget about the selling part and just focus on the buying.

Investing is about building wealth in the long run and you need to hold on to the stocks to achieve that.

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As your stock portfolio grows, it might take more and more of your time to manage, especially if you own a mix of large-, mid-, and small-cap companies from a wide range of industries.

There is a lot of free financial information out there that is already very useful in keeping you updated with your holdings. Often, though, these sites offer additional value on paid subscriptions.

You'll need to try them out yourself to see which ones are a good fit for you. Many services offer money-back guarantees within a period.

You could save time and effort and make better investment decisions if you subscribe to specific financial services that give stock analysis, ideas, or advice that suits your investing style.

More food for thought

After writing all this out, I realize that managing one's stock portfolio or a family fund is nothing simple. However, if you're passionate about it and you enjoy doing it, it'll be very rewarding.

In any case, figuring out and writing down an investing process that you automate as much as possible should help simplify your portfolio management immensely.

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