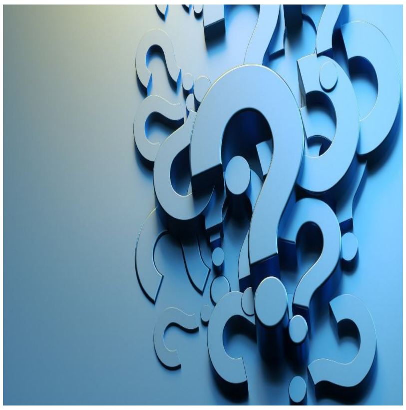

Should You Invest Like Warren Buffett and Plan to Hold Your Investments Forever?

Description

Warren Buffett is a renowned value investor who says his company's preferred holding period is "forever." He says that "money is made in investments by investing and by owning good companies for long periods of time." And there's no doubt about it; investing is a long game. Trying to day trade or be too aggressive means taking on significant risk and putting your portfolio in danger.

There's a lot of speculation in the markets these days, and you only have to look as far as the price of Bitcoin to see that, which has been off the charts, soaring 360% in the past 12 months. Buying and holding quality stocks is definitely a much safer approach to take.

Should your holding period be "forever?"

However, it's one thing to say that you should hold a stock forever; it's another to actually do it. Even Buffett's own company **Berkshire Hathaway** buys and sells stocks throughout the year. When its 13f filings come out, Buffett fans rush to see its latest holdings. It often leads to many investors following suit and buying and selling the same stocks in the hopes of mimicking the company's success.

But the bigger problem with saying you plan to hold a stock forever is that it's just not a practical strategy these days. Decades ago, when Buffett started investing, globalization wasn't what it is today, nor was technology changing at the pace that it is today. The change is too rapid to take for granted, and doing so could leave investors vulnerable.

A great example is a company like **Amazon** that continually innovates and expands into new industries, threatening to disrupt conventional business models. From buying Whole Foods and trying to change the retail experience with its Amazon Go stores that have no lines or checkout to offering checking accounts, the company is proving time and time again that there's always room for innovation.

Why there really isn't an optimal holding period

One of the things the COVID-19 pandemic has taught investors is how unpredictable the markets can be. Even though the stock market should have been crashing all year long, as death tolls rose due to the coronavirus and businesses were shutting down, many stocks enjoyed a great year in 2020, some of them reaching record highs. **Shopify** soared 178% in 2020, as consumers simply spent more online than in-store this past year. Stimulus and recovery benefits helped keep cash in the hands of consumers, despite mounting job losses, while low interest rates allowed businesses to take on cheap debt.

The lack of predictability in the markets, especially over the long term, is why investors shouldn't assume that what's a good buy today will continue to buy a good buy 10 or 20 years from now. A lot can change in just a few years let alone a decade, and it's important to keep a close eye on how your investment is doing and how its industry is changing.

Even growth stocks like Shopify that continually look to add value and innovate aren't necessarily safe bets, either. Innovation is an ongoing process and even something like a change in leadership can significantly impact a company's long-term trajectory. **Apple**, for instance, has taken a more conservative path under CEO Tim Cook than it did when Steve Jobs was leading the charge. It's a different company, one that today may be more suitable for value or dividend investors than it would be for the growth investors who bought shares of the company +10 years ago.

Forever sounds like a good investing timeframe for serious, long-term investors, but in this day and age, it may not be all that practical.

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