Warren Buffett Advice: When to Sell a Stock

Description

Investing is complicated, and whether you're just starting or have years of experience, there will always be times when you inevitably have questions about what to do. Whether it's how to value a stock or determining which stocks to buy, there will almost always be advice on the subject from Warren Buffett.

Warren Buffett is the best investor/mentor to have when you start investing for two reasons. Firstly, he is highly successful, so you are getting advice from one of the most successful investors of all time. Secondly, and much more importantly, is the vast amount of advice and knowledge he has given over his years. This advice is priceless and can help investors to learn the basics of investing thoroughly.

One of the most common topics is knowing when to sell a stock.

Investment advice almost always centres on when to buy stocks and advising investors to hold for the long term. Buffett has given advice, saying things like his company's favourite holding period is forever, but that's more advice on the thought that should go into buying a stock.

While you should aim to buy stocks you can hold forever, in reality, it's not practical to believe that all stocks you hold will never be sold. So, investors need to be equipped with the knowledge of when to sell a stock.

Control your emotions like Warren Buffett

Warren Buffett is one of the best investors for several reasons, but, most important among them all, he knows how to manage his emotions.

Emotions drive a lot of investment decisions. This is a fact that investors need to try and minimize, but with great sums of money invested, it's not always easy.

Some of the biggest fears include fear of loss. Fear of loss is so strong and the main reason why investors will sell their investments during a [market crash](#) at the exact time they should be buying more.

However, it also works the other way. When stocks are going up, often investors may want to sell for a small profit to lock in that gain for fear that they may lose the money they have already made.

Whatever the impulse is, these emotions should always be resisted. Instead, investors should focus on the long term, just as Warren Buffett does. One of the biggest regrets you'll have is selling a stock early and watching it continue to grow to new highs.

When to sell a stock

There will never be a perfect time to sell a stock, but here's how to think about it.

There may come a time when you don't think that a specific stock offers as much upside in the long run anymore for whatever reason. At the same time, if you think you can find somewhere better to use that capital, you may want to sell the stock you're holding.

Some of the reasons why you may want to sell a stock include its industry maturing, the business becoming less dominant, or macroeconomic changes making the investment less appealing.

You don't want to tie up capital that could be put to better use only because holding stocks for the long term is a better strategy.

For example, if you'd bought **Air Canada** in January of last year, expecting to hold it for decades, nobody would have faulted you for selling out of your investment and buying a better stock with more potential, as the coronavirus pandemic hit only months later.

Even Warren Buffett sold out of his airline investments at the beginning of the pandemic and invested that cash elsewhere.

Bottom line

When making investments and assembling your portfolio, you always want to heed the advice of Warren Buffett and buy for the long term. However, in reality, with so many moving parts, situations will change over time.

Once your long-term view of an investment has changed, and you have somewhere better to invest the capital, it's time to start thinking about selling the investment.

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