How to Manage Your Stock Portfolio Passively

**Description**

Stock investing can suck up your time quickly with all the learning and research that's required. Here are some tips to greatly reduce the amount of time it takes to manage your stock portfolio.



## Set up a small list of stocks to watch

You need to know your stocks well to know how you should react (if at all) when something happens. For example, let's say your stock falls 20% in a two-month correction. You should be able to quickly assess the situation and determine if it's a buying opportunity. It might be macro or company/industry-specific issues that drag down a stock.

To know your stocks well, maintain a small list of stocks to watch. You can consider the leaders or quality companies of industries you're interested in investing in, while keeping a diversified portfolio in mind. You might keep watch on five to 10 stocks for starters. They must be quality businesses that have strong earnings and staying power.

For example, you might have on your list **Amazon**, **Brookfield Asset Management**, **Canadian National Railway**, **Facebook**, **Fortis**, **Microsoft**, **National Bank of Canada**, **Netflix**, etc.

## Focus on long-term investing

Aim to buy quality businesses for long-term investing. Sometimes, there's no need to react to stock price action. Businesses run into hiccups all the time. If you've picked the right businesses with quality management, they will overcome the issues somehow. Even if one or two stocks don't work out, your diversified portfolio of at least 10 stocks should still provide satisfactory long-term returns if you built it correctly.

Each action (or non-action) on your portfolio management should be based on the long-term investing prospects.

## Income or growth?

You'll figure out if you're more of an income or growth investor soon enough. Income stocks provide a decent portion of stable returns for you in dividends. Growth stocks grow at an above-average pace, leading to extraordinary price appreciation in the long run.

In the list of stocks mentioned earlier, I'd categorize Fortis and National Bank as income-focused, while Amazon, Brookfield Asset Management, Canadian National Railway, Facebook, Microsoft, and Netflix would fall into the category of growth stocks.

You can potentially get a safe cash distribution income of 3-7% from dividend stocks, but usually the higher the yield, the lower the growth. It's a different story if you buy dividend stocks at a great value during market corrections.

For example, you could have locked in a high yield of more than 6% in National Bank during the pandemic market crash last year, while normally, it provides a yield in the 4% range.

If you focus on growth, you may be able to retire earlier. For example, despite Amazon stock falling about 7% on Friday, it has still delivered annualized returns of more than 30% over the last five years, turning $10,000 into more than $40,000 in the period.

Don't rely on any one stock. Having a number of growth stocks in your portfolio could greatly advance your retirement date.



## Write a list of rules

Write a list of rules to quicken your investment decisions on the fly. Think of buying, selling, and allocation rules. For the income portion of your portfolio, you might aim for dividend stocks that yield at least 3% and grow by at least 5%. For the growth portion of your portfolio, you might only consider growth stocks that grow at least 12% a year. In terms of allocation, for risk-management purposes, you might not want one stock equating to more than 7% of your portfolio. If you choose the right businesses, you might never have to sell.

## The Foolish investor takeaway

This article should give you some ideas of managing your portfolio as passively as possible. Focus on investing for the long haul (ideally for retirement). Choose a small list of quality stocks to potentially buy and learn their businesses very well. Write a list of investing rules to help you make your investment decisions more quickly.

Don't worry about making mistakes. You can make changes to your investing plan as you learn more.

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