05 Try to hold your investment for as long as possible to enjoy significant growth

Would you drive back home to disconnect a phone you left charging just because you heard the lights had gone out? You are more likely to leave it plugged in so that whenever the lights return, it could continue charging. We can liken this scenario to upward and downward movements in your portfolio. Interestingly, it seems many investors would prefer to return to unplug that phone and reconnect when the lights come back on. How you respond to movements in your portfolio puts you in one of two groups of investors: those who **buy and hold** or those who **time the market.**

Buy-and-hold versus Timing the market

Investments typically fluctuate from one day to the other – although with varying degrees of volatility. Stocks (or equity mutual funds) are highly volatile while fixed-income instruments are relatively more stable. As a good investor, you would like to monitor your investment to ensure it is growing at an acceptable level. You could now decide to disinvest or continue based on the portfolio's performance.

If you are timing the market, you are likely to sell (or withdraw your money) whenever the market goes down to reinvest when it comes back up. This way, you hope you can protect yourself from making losses and only grow your money. Another investor would keep his money invested, irrespective of movements in the market, until he is ready to withdraw. This buy-and-hold investor believes that even if he makes short-term losses, he is more than likely to recover his losses over the long term.

Benefits of holding your investment

It may look smart to time the market to manage losses, but the benefits of staying invested seem to outnumber those of the former. Let's examine a few:

- **Easy to adopt and implement:** You do not need to be actively monitoring your portfolio every day. You just need to have your time horizon in mind and wait patiently for it.
- **No need for specialized knowledge:** To effectively time the market, you need to understand how investments work and when to disinvest/ invest, which is a lot of hard work. With a buy-and-hold strategy, all you need is to know if the investment is a good fit for you.
- **Backed by data:** Databank's equity mutual fund, Epack, has had 10 years of negative returns in its 26-year lifespan. Despite these negative returns, a deposit of only GHC 100 would have grown to over GHC 30,000 if it had been held these past years.
- **It works:** Many great investors (Warren Buffet, Peter Lynch, John Templeton and Benjamin Graham) are strong advocates for holding an investment for as long as possible and they have their wealth to show for it.
- **You could miss the best times:** After a price drop, investments tend to rise quickly during a rebound, after which it plummets. Most investors who time the market only reinvest after peak period is over because of how short it lasts thereby missing the highest returns they could have made.

Staying committed

Warren Buffet says, "Successful investing takes time, discipline, and patience. No matter how great the talent or effort, some things just take time…" As an investor, decide to hold your investment for as long as possible to see significant growth. Before you invest, ensure the investment is a good fit for your risk tolerance and time horizon (short or long term). When that is done, if nothing out of the ordinary occurs, decide to stay invested. Decide to leave your phone plugged!

If you would to contact us for questions on investing or managing your personal finance, call us on **0302 610610,** WhatsApp us on **0577 289133** or send us an email at info@databankgroup.com.

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