

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Can You Hold an Investment for Too Long?

A recent article from *The Motley Fool* about 3 stocks to buy and never sell got us thinking. Can you hold an investment for too long? The three stocks they mention are Walt Disney, Amazon.com and Activision Blizzard. Each is a strong brand in its respective market. We wrote recently about [how many years are required to make an investment long term.](#)

Just how many years are required to make an investment long term? We can get a hint from the so-called Oracle of Omaha who says that he cannot outguess the market in the short term but has a pretty good idea of what will sell well ten years hence.

So, you need to stay in the market for longer than 5 years and perhaps even longer than 10 years to see the benefits of long term investing.

The point is that it can very hard to outguess the market, so you often need a decade or more in a stock to see the best benefits. But, can you hold an investment for too long?

When a Business Model Becomes Outdated

Eastman Kodak was founded in 1888 and prospered for decades as the inventor of the personal camera and maker of film. Although Kodak had a chemical division its success was based on the fact that in order to have a photograph of something you needed film. Then the digital era arrived and the Kodak business model was outdated. A stock that grew in value year after year and provided dividends year after year filed for bankruptcy protection in 2012. In the case of Kodak the issue was the business model that was great for years and then antiquated. Yes, you can hold an investment for too long if you don't pay attention to whether or not the business model for the company provides strong [intrinsic stock value.](#)

An inherent weakness in this concept is that too often the medium and long term prospects of a company and its stock price are not clear. So, what is intrinsic stock value of a company if the future is uncertain? The ability to see into the future to see how well a company will manage its assets, products, costs, R&D, and marketing is of utmost importance in calculating intrinsic stock value as a means of deciding whether or not to purchase a stock.

When The Motley Fool suggests Disney, Amazon and Activision blizzard as stocks you never want to sell make sure to think of Kodak or for that matter the whale oil business or prosperous carriage and saddle makers of the 19th century.

Clorox and Building on Core Competence

Clorox Corporation has been around for over a century. It started by making bleach, liquid chlorine which still accounts for 12 percent of its revenue. However the company has added other cleaning products as well as water filtration equipment and filters. All of their products revolve around keeping things clean and keeping the consumer happy. So long as this business model works the stock is one that you cannot hold for too long.

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