
FineAnswers

Answers to questions on tax and finance

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HAPPY HOLIDAYS!!

WHAT ARE THE BEST STOCK TIPS?

I have found one of the best tips are the common sense quotations. I thought I will share some with you. I am sure you must have heard them before; but it does not hurt to hear them again.

BUY LOW SELL HIGH.

It is not unusual for people to lose their nerve and sell a stock that eventually climbs higher. Do your research and only sell the stock after it has reached your target price. If it falls with no reason stay with it.

DON' T CATCH A FALLING DAGGER.

As a contrarian one gets tempted to buy when a stock is falling. Don't! Wait until it finds its floor.

THE TREND IS YOUR FRIEND.

Don't fight a trend. A falling trend usually continues for longer than one expects. A rising stock also tends to rise higher than one anticipates.

WHEN IN DOUBT DOLLAR AVERAGE.

This is my own. Dollar averaging gives you a better price if the stock continues to fall after

you've bought. The down side is that it will give you a worse price if it rises. The good thing is that you can reduce your risk by avoiding extreme fluctuations.

T I P S

BUY ON THE RUMOUR SELL ON THE NEWS.

Somehow, sometimes, there are people who get the news before it is out. If the rumour is good then the stock will start to rise. When the news is out profit taking will bring it down. It will work the other way also with one modification. Sell on the rumour. Don't necessarily buy on the news!!

CUT YOUR LOSSES AND LET YOUR PROFITS RUN.

When bad news is out. Sell quickly as selling occurs in waves and stocks continue to fall. Don't sell a stock just because it has risen 30%. Hang on to it if you still see value in it.

BUY STRAW HATS IN THE WINTER.

This is one way of saying buy cyclical when they are on a down cycle. Cycles could be seasonal. Buy the stock of companies that are in the heating oil business in the summer or buy the stock of companies that are in the refrigeration business in the winter.