

To Sell or to Hold Checklist

(Created by Colleen Mulder-Seward, adapted from Nancy Crsy's checklist)

Company _____ Ticker _____
 Prepared by _____ Date _____

To do before selling any stock:

- Create Optimistic SSG (use historic growth rates, use signature PE ratio for price calculations, and projected EPS for low price calculation)
- Determine ST verses LT bad news
 - Read articles, SEC documents, listen to conference calls, etc.
 - Consider industry and competitors
 - Consider economy
- Near end of quarter - wait for earnings release
- Check reasons you bought the stock (check "notes" for your "buy" SSG in your SSG software)
- Have replacement stock selected (unless #1 - you need cash)
- Remember, in the long run, price follows fundamentals

Reasons to Sell	Selling Considerations	Conclusion?
<input type="checkbox"/> 1. If you need cash	<input type="checkbox"/> Use # 2 through # 8 to determine which stock is best to be sold.	
<input type="checkbox"/> 2. If company's fundamentals deteriorating	<input type="checkbox"/> Slowing or declining sales and/or growth is warning sign. (Check TTM growth rates in PERT A.) <input type="checkbox"/> Declining profit margins. (Check section 2A and 2B on SSG.) <input type="checkbox"/> Increasing long-term debt. (Look at section 2C in NAIC Stock Analyst or financial web site.) <input type="checkbox"/> Increasing inventories (Look at financial web site) <input type="checkbox"/> Increasing receivables (Look at financial web site) <input type="checkbox"/> Decreasing or negative cash flow (Look at financial web site)	<input type="checkbox"/> Replace <input type="checkbox"/> Hold
<input type="checkbox"/> 3. If there are adverse company changes	<input type="checkbox"/> Adverse management changes (CFO departed unexpectedly, several key executives departed, death of several key executives.) <input type="checkbox"/> Significant increase in competition <input type="checkbox"/> Decline in pipeline <input type="checkbox"/> Same-store sales declining <input type="checkbox"/> Worsening product mix (patent expiration, increased low margin products, dependence on 1 or 2 products.) <input type="checkbox"/> Products are no longer in demand <input type="checkbox"/> Customer base shrinking or company becoming overly dependent on one or two customers <input type="checkbox"/> Indications of fraud or accounting problems (changes in accounting firm, SEC investigation, CFO leaves just before 10-K/10-K is filed.) <input type="checkbox"/> Company's debt rating has been lowered <input type="checkbox"/> Uncontrolled raw material costs	<input type="checkbox"/> Replace <input type="checkbox"/> Hold
<input type="checkbox"/> 4. If stock is overvalued	<input type="checkbox"/> Relative value (RV) is over 150% (see PMG graph.) <input type="checkbox"/> Upside-downside ratio is below 1.0 to 1 <input type="checkbox"/> Potential total return is less than money market fund or CD <input type="checkbox"/> Price of stock has greatly outpaced industry average and/or competitors. (Get 10-year price graph from financial web site of company vs. competitors and industry.)	<input type="checkbox"/> Replace <input type="checkbox"/> Hold
<input type="checkbox"/> 5. To diversify portfolio	<input type="checkbox"/> If one stock is 10 to 20% of your portfolio (try to add to other positions or sell a portion of the large position.) <input type="checkbox"/> If stock is < 5% of your portfolio (add to it or sell it.) <input type="checkbox"/> If stocks are not probably allocated (25% small, 35-50% medium, 25% large, 0-15% international)	<input type="checkbox"/> Replace <input type="checkbox"/> Hold
<input type="checkbox"/> 6. To improve portfolio quality	<input type="checkbox"/> Erratic sales and/or EPS growth <input type="checkbox"/> Erratic PTP and/or % ROE. <input type="checkbox"/> Use PERT report to sort portfolio by projected total return (sell ones with lowest potential.)	<input type="checkbox"/> Replace <input type="checkbox"/> Hold
<input type="checkbox"/> 7. If the company is acquired	<input type="checkbox"/> SSG of acquirer doesn't meet your standards.	<input type="checkbox"/> Replace <input type="checkbox"/> Hold
<input type="checkbox"/> 8. To take a capital loss	<input type="checkbox"/> Can sell stocks in taxable account at a loss to offset capital gains <input type="checkbox"/> Can use \$3,000 of capital losses to offset ordinary income <input type="checkbox"/> Evaluate stock for repurchase after 30 days to avoid wash sale.	<input type="checkbox"/> Replace <input type="checkbox"/> Hold