We often get this question. The answer is that the stock market is essentially one large auction. Basically, people are buying and selling stocks continuously each day. We can show you on our computers that each stock is trading continually, with millions of shares trading hands every second. Based on investor's demand for a particular stock, the price will also vary each second.

So our net worth statements essentially change in value each second. The statements will show the current value of an investor's stocks at only that specific point in time.

The prices at which stocks trade are affected by the large institutions that often trade rapidly, on a daily basis. Therefore, news accounts play a large factor in the movement of stock prices. If these large, day traders become interested in a particular stock or group of stocks, they will run the prices up by buying them. Likewise, they can run the prices down by selling them. These traders typically affect the prices in cycles. In the late 1990's, they ran up the large company stocks. In the last few years, they have run up the small company stocks more. It may be time for them to run up large company stocks again. Of course, no one knows when these changes will occur.

Long-term investors, such as ourselves, can profit from these stock moves. If the large day traders run down the prices of a good company, for example, Harley-Davidson, for no good reason, then we can purchase the stock at undervalued prices, and then sell it sometime in the future after they have run it back up.

Typically, we expect a stock to double in five to seven years, in order for us to be interested in it. Doubling in five years gives a 15 percent average annual return, and doubling in seven years gives a 10 percent average annual return. A 10 percent average annual return does NOT mean that it will go up an even 10 percent each calendar year. Average annual return means that by the end of that period it will have averaged 10 percent per year. In other words, it may be flat or down for several years and then double. Or it may double immediately or some combination in between.

Often, impatient investors will sell a good company if it is flat or down for several years. Then the stock may double, and the investor misses out on the return. In fact, that investor then tends to turn around and chase another hot stock tip, and then sells it if it is flat or down and continue the bad investment cycle.

Another mistake that investors often make is comparing their stock investments to money market or CD's. If their stocks are flat or down for several years, they will consider that they could have done better in money market or CD's during that period. While that may certainly be true during that period, if they are patient and wait for it to double, they will do much better than by just being in the money market. Some investors try to time when to jump in and out of the stock market. Research has shown time and time again that such market timing is not possible on a consistent basis, because no one knows the future.

There are certainly no guarantees that any stock will double or even go up. But that is one of the risks taken by investing in the stock market.

Investors need a consistent long-term investment strategy in order to succeed in the stock market. If you need help with this, please contact us.

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