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## Buy-and-Hold Is Dead. Long Live Buy-and-Hold

By JASON ZWEIG

From my perch, what seems to be on top of many people's minds is whether buy-and-hold is dead. After a decade in which stocks have gone nowhere and at least a quarter-century in which stocks have been outperformed by bonds, can it still make sense to buy stocks and sit on them for decades?

There is a growing belief, especially among those who call themselves "active investors," that goes something like this: Stocks are going nowhere, so you can only maximize your returns by trading smarter. What's left unexplained is why it's somehow easier to make money by trading in and out of stocks during a period of lower returns than it is during a period of higher returns. If trading is a suboptimal strategy when returns are good, why should it suddenly become optimal when returns are bad?

There is not much evidence that professional portfolio managers are any better at picking securities in bear markets than they are in bull markets, which is pretty faint praise. By the same token, there's no reason to imagine that individual investors would have a special advantage during bear markets, other than their ability to disregard the short-term measures of performance that hamstringing the professionals. Frequent trading takes that advantage away.

It's a fallacy to look at the performance of professionals, scoff at how poorly they've done, and conclude from their poor results that you can do better. Most NBA players aren't very effective at guarding LeBron James, but that doesn't mean you could dominate him if you were to step onto the same court. The failure of other people to perform a difficult task does not mean that it will be easy for you to perform.

The costs of trading – commissions, spreads, market impact, capital gains taxes – do not go away in a down market. Shuffling from one investment to another is never free, and costs loom at least as large in down markets as in up markets. (Having grown up on a farm, I think money has a surprising similarity to cow manure: the more you move it around, the worse it smells.)

In my opinion, individuals who almost never trade stand a very good chance of outperforming the professionals who almost never sit still. The longer the time horizon over which performance is measured, the more likely this is to hold true. Some readers interpreted my [recent column on "sitting bulls"](#) to be critical of investors who buy, hold and do nothing. It wasn't; I am, in fact, a sitting bull myself. Even if the Wall Street Journal's code of ethics did not constrain us from trading, I wouldn't trade anyway. Other than routine annual rebalancing and jettisoning company stock from my former employer, I haven't sold anything in years. My portfolio today is virtually indistinguishable from what I put together around 1994, nor do I plan any significant changes for the foreseeable future. I've lost money like everybody else, but overall my account values are up thanks to regular contributions.

But maybe it's fine that buy-and-hold is out of fashion. To prevail as a successful long-term investing strategy, buy-and-hold has to go through a prolonged period when it no longer seems to work. As its weakest believers give

up and fall away, buy-and-hold will ultimately emerge stronger. That may take a while; the rewards to patience are not always measured in years, but sometimes in decades or even generations.

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