

# Long-term investor should ignore short-term advice

Q. I was at a broker's meeting where they had a securities analyst talk and discuss a number of companies he suggested we consider buying. My broker said that the information was good but that it was too short-term and I should be basing my selections more on long-term thinking.

I know I am in favor of long-term planning, but I don't think I know how to apply that to stocks. Would you be able to give me an illustration of long-term and short-term reasoning in the selection of a stock?

A. I recently had an experience that fits your question perfectly. I am on a committee that picks a stock once a month for Better Investing magazine. We try to pick

stocks that seem to have the characteristics that would enable them to double in value in the coming five years. Five years is a long time in the stock market.

Several months ago the stock we selected was Guardsman Products Inc. This is a company whose major business is making finishes used in the appliance and furniture industries. As you might guess with those major markets, its business is a little cyclical.

MANAGEMENT RECOGNIZES that and has started to build some new lines that are more consumer oriented and consequently more stable.

The company has had an excellent record. Its sales have increased at 15



today's investor

**Thomas E. O'Hara**

of the National Association of Investors Corp.

percent compounded annually for the past 10 years. Earnings per share are up 20 percent.

With a record like that, that is good reason, from a long-term point of view, to believe the company will continue its past performance and possibly be worth twice as much five years in the future. But the long-term investor also would recognize that during the five-year period a

number of temporary problems might arise that could cause declines in the price of the stock.

ANALYSTS WITH a short-term point of view will recognize the bargain when the price declines and add to his holding. The person following the short-term pattern has the more difficult job because his timing has

almost certain to decline sharply in a recession. They reason that Guardsman will experience a sharp decline in sales and earnings and its price will drop.

Both lines of reasoning are good. It is just that they are from different perspectives.

THE PERSON following the short-term thinking will sell the stock in anticipation of buying it back when he reasons the business turns around.

The person with the long-term point of view will recognize the bargain when the price declines and add to his holding. The person following the short-term pattern has the more difficult job because his timing has

to be right. He has to select his sell and buy-back points close to their respective highs and lows to make a profit.

Thomas O'Hara of Bloomfield Hills welcomes your questions and comments but will answer them only through this column. Readers who send in questions on a general investment subject or on a corporation with broad investor interest and whose questions are used will receive a free one-year subscription to the investment magazine *Better Investing*. For a sample copy of *Better Investing* magazine or information about investment clubs, write Today's Investor, PO Box 220, Royal Oak, MI 48068.

## datebook

### WOMEN AND BUSINESS

Thursday, Nov. 29 — Strive women's business network meets at 6:30 p.m. at Proctor Homer Warren, 2100 W. Big Beaver, Troy. Information: Joan Sheridan, 693-7039.

### MULTIMEDIA TECHNOLOGY

Thursday, Nov. 29 — Multimedia technology seminar 1-4 p.m. or 7-

9:30 p.m. in Birmingham. Fee (at the door) \$149. Information: Ann Marie Harrison, 647-3333.

### LOTUS 1-2-3 MACROS

Friday, Nov. 30 — "Lotus 1-2-3 Macros" 9 a.m. to 5 p.m. in Southfield. Non-member fee: \$225. Information: Denise Moody, 353-4500. Sponsor: American Society of Employees.

### MRO MANAGEMENT

Friday, Nov. 30 — "Effective Maintenance/Repairs/Operations Management" 8 a.m. to 4 p.m. in Troy. Non-member fee: \$249 including meals. Information: 773-3737. Sponsor: NAPM - Detroit Metro.

### EMPLOYEE BENEFITS

Friday, Nov. 30 — "401(k) Plans and More: Issues in Employee Benefits" 8:30 a.m. to noon in Troy. Fee: \$70. Information: 689-8282 Ext. 260.

### BETTER BOTTOM LINES

Friday, Nov. 30 — "Profit Enhancement: Improving the Bottom Line" 8:45 a.m. to 4:30 p.m. in Troy. Fee: \$169. Information: 689-8282 Ext. 260. Sponsor: Walsh College.

### TRAVEL INDUSTRY

Saturday-Sunday, Dec. 1-2 — "Travel Industry Overview" for people interested in travel industry career 8:30 a.m. to 5 p.m. in Detroit. Fee: \$395. Information: 689-8282 Ext. 260. Sponsor: Walsh College.

### GRAND OPENING

Sunday, Dec. 2 — Grand opening of Kroger supermarket at 37550 W.

12 Mile at Halstead in Farmington Hills.

### RESUME WRITING

Tuesday, Dec. 4 — Job search and resume-writing workshop 7-9 p.m. in Birmingham. Fee: \$30. Information: 642-9150. Sponsor: Job Search Dynamics.

### REAL ESTATE

Tuesday, Dec. 4 — Free real estate seminar for business owners begins at 7 p.m. at the Southfield Public Library, 1044 Mile and Greenfield roads. Information: David Hull, 626-8800. Sponsor: Century 21 Premier Real Estate Co.

### BASIC SUPERVISION

Tuesday, Dec. 4-18 — "Principles & Practices of Supervision I" 9 a.m. to 4 p.m. in Southfield. Non-member fee: \$375. Information: Denise Moody, 353-4500. Sponsor: American Society of Employees.

### CPA ESTATE PLANNING

Wednesday, Dec. 5 — "Current Developments in Estate Planning" 8-10 a.m. in Troy. Fee: \$35. Information: 689-8282 Ext. 260. Sponsor: Walsh College.

### FIBER OPTICS VIDEOCONFERENCE

Wednesday, Dec. 5 — Video-

conference on fiber optics applications 11:30 a.m. to 4 p.m. near Rochester. Fee: \$125. Information: 370-3120. Sponsor: Oakland University.

### MARKET TIMING

Wednesday, Dec. 5 — Free investment and market timing seminar begins at 7 p.m. at the Novi Hilton. Information: 642-6741 or 927-6105. Sponsor: Flexible Plan Investments Ltd.

### ADVANCED SUPERVISION

Wednesdays, Dec. 5-19 — "Principles & Practices of Supervision II" 9 a.m. to 4 p.m. in Southfield. Non-member fee: \$375. Information: Denise Moody, 353-4500. Sponsor: American Society of Employees.

### BE A FACILITATOR

Thursday, Dec. 6 — "Developing Group Facilitator Skills" 9 a.m. to 4:30 p.m. in Southfield. Non-member fee: \$225. Information: Denise Moody, 353-4500. Sponsor: American Society of Employees.

### DIRECT MARKETING

Thursday, Dec. 6 — James Rosenfield will speak at luncheon meeting of the Direct Marketing Association of Detroit at the Sheraton Southfield. Non-member fee: \$19. Information: 258-8803.

### FIRST AID

Tuesday-Wednesday, Dec. 11-12 — "CPR and First Aid Training" 12:30-4:30 p.m. in Southfield. Non-member fee: \$50. Information: Denise Moody, 353-4500. Sponsor: American Society of Employees.

### CPA COMPANY EVALUATION

Wednesday, Dec. 12 — "Evaluating a Going Concern" 8-10 a.m. in Troy. Fee: \$35. Information: 689-8282 Ext. 260. Sponsor: Walsh College.

### REAL ESTATE WOMEN

Wednesday, Dec. 12 — Mary Kramer discusses "How to Make It to the Top" at 7 p.m. for the Commercial Real Estate Women Inc. The meeting will begin at 6:30 p.m. at the Radisson Plaza Hotel, 1500 Town Center, Southfield. Fee: \$25. Information: Lisa Martin, 855-5700.

### MANUFACTURING PROFESSIONALS

Friday, Dec. 14 — "Shop Floor Control: Tapping the Hidden Potential of the Floor" 8:15 a.m. to 4:30 p.m. near Rochester. Fee: \$195. Information: 370-3120. Sponsors: Oakland University, American Production and Inventory Control Society.

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