Cincinnati.Com | THE ENQUIRER

Last Updated: 1:59 pm | Saturday, April 7, 2007

Own Delta stock? Not for long

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If you had the misfortune to purchase 100 shares of Delta Air Lines stock when it was flying high in the late 1990s, and you still haven't sold it, you have lost about $7,000.

As Delta prepares to exit bankruptcy later this month, executives have made it clear the company plans to cancel the airline's shares, currently trading over the counter for less than 40 cents apiece. While Delta shareholders have the consolation of capital loss tax breaks, their predicament underlines the risk in what many financial advisers say is often the hardest decision in investing: when to get out.

Money managers say deciding to sell out of an investment can be even harder than figuring out what to buy and when.

"Too many people focus on the buy side of investing, that's why selling is harder to do," said Michael Chasnoff, president of Truepoint Capital in Blue Ash.

While some investors get busy and lose track of a company, others get attached. Financial advisers note some shareholders form unhealthy emotional feelings for their stake in an ailing company. An investor doesn't want to admit an investment was a bad pick or feels an illogical loyalty to a sweet stock that's turned sour.

"It's painful for some investors to admit they made a mistake, and they hold onto shares pretending it's going to get better," said Rebecca Pace, an adviser with Financial Clarity Group in West Chester. "It becomes emotional, not logical. This is when you start to get into the gambling mentality."

Chasnoff and Pace advocate investors to consider mutual funds to spread their risk.

As for individual stocks, experts suggest forming an exit plan even when buying in. Many recommend writing down your reasons for purchasing a particular stock and reviewing that list to make sure your investment rationale continues to apply.

Derek Hassenpflug, a financial planner at Morgan Stanley in Cincinnati, said stock picks should complement an investor's long-term financial goals.

"An investor should buy a company for the right reasons, not just because they like it or they use the products or services," he said. "They should determine what their investing standards are and manage to those standards."

Hassenpflug said investors should emulate institutional investors that use a written investment policy statement to maintain a consistent strategy and drain emotions from the process.

Cashing out of some high-fliers can also be a shrewd decision.

Pace said investors should consider selling off at least part of their holdings in even star performers. She said no single stock - no matter how good - should be allowed to become more than 10 percent of an investor's portfolio.

"People need to sell pieces of it to realize their gains and hold onto them," she said. Keeping all of a surging stock "creates concentrated positions - it really puts you at risk."

For those shareholders cashing out of a losing stock there is one consolation. You can use up to $3,000 of the capital losses per year to offset the tax liability on any capital gains you've realized this year and future years.