Weiss Educational Services

Empowering and Educating Individual Investors Since 1971

Why You Should Consider Growth Stocks.

Posted on October 10, 2016 by Peter Blatt

At the beginning of this year, I encouraged my clients and you the readers to invest in value stocks. Those are the stocks with high dividends. Now properly selected value stocks this year have outperformed the S&P 500, a measure of the market.

In my opinion it's time to rebalance and take some winnings off the table. If your goal for the year was 7 % and you actually made 8%, it might be time to take some stocks and sell high.

There is a wind of change in the air. Earlier this year the stock winners were value now it looks like next year the winner will be growth.

The big question is, when do you invest in growth stocks? A growth stock is a company stock that tends to increase in capital value rather than high yield income. Growth investors choose stocks based on potential for capital gains, not dividend income.

A good example of a growth stock is a technology company. Growth stocks do carry more risk than value stocks as shareholders rely solely on the company's success to generate return on their investment.

If the growth company does not grow as expected, shareholders may end up losing money as market confidence wanes and share prices drop.

Growth stocks traditionally have a loyal customer base and/or hold a patent for a new technology or product. Most of the time growth stocks do not pay out dividends because they are reinvesting its earnings into product research and development.

Some examples of growth stocks include:

Apple Inc.
Facebook, Inc.
Microsoft Corporation
Visa, Inc.

With the presidential election right around the corner and the Federal Reserve keeping interest rates at an historical low growth stocks have dampened in our markets. The Federal Reserve raised rates in December of last year and there is a very good chance we will see interest rates rise this December as well.

The markets are waiting for a sign of normalcy, which we should have hopefully by the end of this year. Once it happens the markets should move toward growth stocks.

Bottom Line: Make some adjustments in your portfolio sell off some winners, take some losses off for tax harvesting purposes and prepare to purchase growth stocks.

Remember, plan today… protect tomorrow.

Until Next Time,

Peter Blatt

Weiss Research

Contact Us:

Weiss Educational Services
4400 Northcorp Parkway
Palm Beach Gardens, FL 33410
800-393-1706
edu@weissinc.com