



## Why Buy and Hold Sucks

Warren Buffett is a scam.

Not Warren Buffett the person. Instead, Warren Buffett the *concept*. You know, this idea that you can pick a small handful of stock in great companies at fire-sale prices with durable competitive advantages and hold them *forever*.

Good luck with that.

You're not Warren Buffett. Neither am I.

First, Buffett is obviously a quantitative genius. He would read through manuals that had data on **every company in the stock market**. He quickly analyzed the key data points and then zeroed in on a stock of interest. I suspect only a handful of people in the world even did this. So, he had a huge information advantage before the advent of computers. Now, anyone can analyse all the stocks in the market in seconds.

Furthermore, no one has been more masterful in creating an image than Warren Buffett. He's not only had a brilliant career as an investor but also in public relations. He's made a persona of being a regular, folksy guy who also knows how to pick stocks for the long term.

There's an entire industry built around the Buffett way, but it's a total waste of time.

He's just as savage as the next guy on Wall Street. He drives hard deals when he gets into distressed situations, and, due to his position in the money food chain, he gets access to deals you and I would never get to see.

When it comes to buying the entirety of family-owned businesses, the sellers often come to *him*. They gladly accept a discount to monetize their business, join forces with him, and are often allowed to continue running the company while he allocates the cash flow elsewhere.

Again, you and I are at a disadvantage here.

That's why Buffett suggests simply owning an S&P 500 index fund and then going about your life.

That's a good suggestion!

The data on markets and buy-and-hold is *sobering*. I'm sharing a few with you today. I don't want to pour water on your holiday cheer, but it may inform your thinking on how to make 2026 and beyond your best (financial) years yet.

I saw these statistics in an email from *The Idea Farm*, in a post about *50 Facts from 2H 2025*.

While I knew the idea that buy-and-hold is a tricky proposition, these stats are worse than I even expected.

Here goes!

**Of the 10 largest stocks in the S&P 500 Index in 1985, none are still in the top 10.**

Well, that makes sense because the world changes, and with it so do markets. Companies come and go as society evolves.

**Just 3% of companies generated all the shareholder wealth in the U.S. stock market from 1926 to 2022.**

Read that statistic above several times, and you realize you have no chance with buy and hold. Not enough companies create meaningful value for shareholders. It's great for founders, investment bankers, and traders. Not so much for the long-term folks who stick around. They get caught holding the bag.

**In 1812, financial stocks accounted for 71% of the stock market's value. No other sector amounted to more than 14%.**

Obviously, there's been a massive shift over time as to what's driving the economy and shareholder returns.

**Walmart, Kroger, Aldi, and Albertsons own a third of all grocery store locations.**

Because we are consumers, we can extrapolate that many retailers get eaten alive. I can think of numerous retail operations that existed when I was a kid, like Service Merchandise or Friendly's Restaurants, that bit the dust even though they were awesome at the time (obviously not awesome enough *over time*)!

**Apple has repurchased \$709 billion in stock over the past 10 years, more than the market cap of 487 companies in the S&P 500.**

Here we go again. It's just a handful of companies that dominate in terms of creating massive value. Your odds of finding those companies as cycles shift are about the same as breaking into Fort Knox and stealing all the gold.

So, what to do?

First, employ multiple strategies. Nothing works every day, every week, every month, or every year. No one knows that better than I do.

While I have stock-specific strategies that have dramatically outperformed their benchmarks *over time*, it's not linear. No one knows when the good or poor periods are going to happen. The best one can do is consistently apply a strategy to exploit its edge. Multiple strategies help weather the storm when one strategy is on its heels.

These strategies are not buy and hold either.

Follow trends. Trend-following has a 200+ year history of success. That said, trend-following the S&P 500 for the last three or four years has been mediocre at best. Does that mean it no longer "works"? No! Not at all. Once enough people think it "no longer works," it will start "working" again.

I do something a bit different – although I also follow the trend of the S&P 500 – and that is to analyze the relationship between disparate markets, measure that trend, and then either bet on the market or move to the sidelines.

A couple of weeks ago, I posted my entire process for buying markets when most investors are dumping stocks, leading to exceptional short-term opportunities. It works great if even only a couple of times a year when an opportunity presents itself.

Lastly, buying index funds at regular intervals will make you rich if you do it consistently and for long enough. There will be some significant drawdowns. It's impossible to avoid 50% panics if you're owning the markets for 50+ years. There's no way around it unless you employ *multiple* strategies. Time *in* the market heals a lot of wounds.

Then you can ignore the noise and save yourself the agony of reading Warren Buffett strategy books that you have no chance of employing like the man himself!

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