

# Individual Stocks

## Fuel a Passion for Profits

**Deborah Rogus**

**A**t 51, David Cole is doing exactly what he wants to do: He makes a living by investing directly in stocks and following the market on a regular basis. "My wife, Marie, and I are at a time in our lives where we're doing fine, and we have enough set aside so that I can invest in stocks full-time." He's stepped away from his career as a city manager and now works managing his investments. "I'm keeping my eye out for another full-time position," he says. "But this is what I want to do now."

David's interest in investing began in college, when he read *The Wall Street Journal* every day. "It was always in the back of my mind that I wanted to start investing. I finally began in 1979, and in the '80s—when I had more time and money—I spent my evenings and weekends doing research and actively following the market." But David felt he never had enough time to do what he really wanted with stocks. And at that time, researching meant going to the library and reading information that was already outdated or sometimes missing.

"In 1991, my job as city manager in Glencoe, Illinois, came to an end, and my daughter was heading for high school. I had my eye on California and decided, when she graduated from high school, that we would reevaluate our situation." Four years later, when daughter Jennifer went

away to college in California, the Coles followed, and David began investing full-time. He already had a system, and the Internet made it much easier to research and stay up to date.

David, a member of the American Association of Individual Investors (AAII), is a value investor, which in one way means he buys stocks that have been beaten up but have a solid chance of coming back. He believes strongly in buying low and selling high and keeping his scope of stocks limited to industries he understands.

"As an individual, there is a human limit to what I can manage. I've narrowed what I invest in to the sectors I know and understand," David says. "I want a comfort level so that when I look at an annual report, I have an understanding of the jargon, technology, and the fundamentals of the company." David focuses on tech, biotech, computer peripherals, and medical stocks. He avoids retailers, gaming, real estate, and investment companies. "I got burned by a retail stock once, and these other areas I'm just not interested in," he explains.

Using a stock-charting service he subscribes to, David gets a visual picture of where the stock has been trading. When he finds a company that is starting to fall in price, he adds it to his watch list and then begins to learn about the company. "I don't buy anything simply because its price is falling," he says. "I'm picky about what I buy and have several screens for a company. I also set buy and sell limits. This way, I don't get too greedy."

Some of the fundamentals David evaluates include the need for a given company's product, recent changes in the company that may have made its stock fall, and what the company was doing differently when it was at its peak. He also looks at insider trading and institutional trading—in other words, is the management buying or selling its stocks, and are mutual-fund managers buying or selling, and why? All of this he washes through a broader view of soci-

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ety and trends, such as what people are buying and how people are behaving politically and internationally.

David relies heavily on the Internet to research and track companies. He trades online through Quick & Reilly. At its Web site, he maintains a watch list of stocks that interest him; he has a second list on the CNBC Web site. Although he has almost 75 stocks on the lists, his actual portfolio is always limited to a manageable 10 to 20 stocks.

David admits that individual stocks aren't for everyone. He tells friends that they need time to research them and enough money to buy individually. "You also have to have a personality that is comfortable with this risk level," he says. "There have been times when I've taken big hits or really missed out, but that's part of it. But that's also what's so rewarding, because you made the decisions. There's no one to blame if something goes wrong, but when a stock hits an objective, it's a great feeling because you know that you did it. I chose individual stocks because I've always liked to make my own decisions. If I decide on a stock, that's what I want to do."

And when there have been some mistakes, he has always tried to learn and adapt. For instance, more than once, David has missed a real opportunity by stubbornly waiting for a given stock to fall below an ideal buying price before

buying. In each case, the price got very near his target but then took off on the upside for big, big returns. "The problem was that I was too rigid with my buy price," he explains. "Now, I'm a little more flexible, although you still have to be disciplined and set objectives."

If it sounds like David is just gambling, he's not. He works hard to find solid companies and tracks them carefully. And he's not trading with every penny he has. "My wife has a full-time job, and her income is operational, which allows me to invest. We also have our benefits through her work, and we both have retirement systems in place," he says. "There's definitely no safety net [in buying stocks], so it isn't for everyone, and it takes a lot of time to do the necessary legwork. But that's what I like about it." **PM**

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