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When Is It Time to Liquidate an Asset?

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Right now, with questions about what is really happening with the economy bouncing around (some say it's recovering, while Ben Bernanke says markets are still in chaos), many have questions about their own personal finances. And for good reason. And one of those questions is this:

How do I know it is time to liquidate an asset?

This is an especially thought-provoking in terms of investments. With stock market volatility and worries of a recession, many are wondering if maybe they should liquidate. William Jordan, a Financial Adviser with Sentinel, has a pretty good rule of thumb:

"Let's say your investment was through a bank or holding company. If you were called, and the bank or holding company told you they had sold off the asset, but that you could buy it back at no cost, what would you do? If you would take the cash, it's time to sell. If you would buy, you should hold on to it."

An interesting way to look at your assets. Ask yourself: Would I be upset if someone else sold it off?

Williams also recommends that you consider these questions when deciding whether to liquidate an asset:

- Why did you buy it in the first place?
- Have the fundamentals changed?
- Do you want to sell just because the industry is down?
- Has something changed about the potential of the investment?

These are great questions to consider. Williams points out that if you bought the asset in the first place because it had solid fundamentals, and if that hasn't changed, you should hold on to the investment; don't get scared off by the whims of the moment. "Don't sell just because it's gone down if the fundamentals haven't changed."

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On the other hand, Williams says, "If you thought it was good when you bought it, but something has changed or you found your information wasn't good at first, it might be time to cut your losses."

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