

Is HODL Strategy Overrated?

A proprietary study of 1,247 retail investors testing whether long-term holding actually delivers profitability — or whether real-world execution consistently breaks the strategy.



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01 Executive Findings

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TU proprietary research suggests the HODL strategy may be far less effective in real-world conditions than popular narratives imply. In a survey of 1,247 retail investors, only 39% reported overall profitability from long-term holding, while 45% remained loss-making despite multi-year holding periods. Outcomes depend heavily on timing, risk management and discipline — not passive holding alone.

- ✓ **Long-term holding does not guarantee profitability.** Only **39%** of HODL investors reported overall profits, while **45%** remained loss-making despite multi-year holding periods.
- ✓ **Behavioral execution is HODL's main weakness.** Although many investors intend to hold long-term, only **31%** maintained positions through major drawdowns without selling.
- ✓ **Timing matters more than duration.** Investors who entered gradually using DCA showed significantly better outcomes (**57%** profitable) compared to those who entered during bull-market momentum (**61%** loss-making).
- ✓ **Extreme volatility creates strong emotional pressure.** More than **80%** experienced drawdowns above 20%, and **38%** faced losses greater than 50%.
- ✓ **Investor behavior contradicts HODL principles.** During market stress, **53%** changed strategy mid-cycle, **41%** panic sold at least once, and **36%** later re-entered at higher prices.
- ✓ **Narratives remain stronger than statistical outcomes.** Despite inconsistent profitability, investors continue to prefer HODL primarily because of simplicity and widespread reinforcement across social media.

Risk warning: Cryptocurrencies are highly volatile, speculative instruments. This research is informational only and is not investment advice.

02 Introduction & Research Questions

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The rise of HODL as a dominant retail strategy reflects a broader shift in how investors approach markets. Simplicity, accessibility and strong online narratives have made passive holding appealing, especially in crypto markets. However, institutional research and behavioral data suggest that real-world outcomes are far more complex — and often less favorable — than headline success stories imply.

This TU study tests whether the gap between HODL as a narrative and HODL as actual investor behavior translates into measurable differences in profitability, drawdown tolerance and decision-making consistency.

The study focuses on five key questions

- Does long-term holding lead to consistent profitability?

- How does timing affect HODL outcomes?
- Are retail investors able to hold through drawdowns?
- What risks are associated with passive holding strategies?
- How does real behavior differ from theoretical HODL assumptions?

03 Glossary

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HODL

A long-term holding strategy where investors retain assets through market cycles, regardless of price movements.

Dollar-cost averaging (DCA)

Investing fixed amounts at regular intervals to reduce sensitivity to entry timing.

Drawdown

Peak-to-trough decline in portfolio value, used to measure downside exposure.

Survivorship bias

The tendency to focus on assets that survived and performed well, ignoring those that failed.

Tail risk

The probability of rare but extreme outcomes that significantly affect overall returns.

Procyclical behavior

Buying during price rises and selling during declines — the opposite of disciplined long-term holding.

CAWI

Computer-Assisted Web Interviewing — an online survey methodology for standardized data collection.

04 Institutional Validation

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Institutional research provides strong evidence that passive long-term strategies like HODL often fail to deliver expected results in real-world conditions.

-28.4%

ARXIV 2025 · MONTE CARLO SIMULATION

Median excess return for buy-and-hold crypto investors across **480 million simulated scenarios** over **378 crypto assets**. The study identified strong survivorship bias and highly uneven return distribution — a small minority of outcomes generated most gains while the majority underperformed.

The **Bank for International Settlements (BIS, 2023)** finds that retail investors systematically underperform due to poor timing — typically buying after price increases and selling during declines. This behavior directly undermines the core HODL assumption of holding through volatility.

The **National Bureau of Economic Research (NBER, 2022)** shows that individual investors significantly lag market returns due to behavioral biases, including panic selling during downturns and overreaction to market movements. Research from **Barber & Odean** (UC Berkeley, widely cited in CFA materials) demonstrates that retail investors who trade or rebalance emotionally tend to underperform passive benchmarks — highlighting the gap between theoretical and actual long-term investing behavior.

The **OECD (2023)** reports that many retail investors lack sufficient financial literacy to properly assess risk, often underestimating volatility and downside exposure — a critical weakness when applying long-term holding strategies. The **CFA Institute** emphasizes that successful long-term investing requires diversification, portfolio rebalancing and disciplined risk management — not passive holding alone.

Key institutional takeaways

<p>-28.4%</p> <p>median return in 480M simulations (arXiv 2025)</p>	<p>Procyclical</p> <p>retail buys high, sells low (BIS)</p>	<p>Discipline</p> <p>required for long-term success (CFA Institute)</p>
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05 Theoretical Framework

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From a behavioral finance perspective, HODL is structurally easy to understand but psychologically difficult to maintain. The strategy is likely to work only when three conditions are present simultaneously: long-term market growth, high investor tolerance for volatility, and strict emotional discipline during drawdowns.

HYPOTHESIS	MECHANISM
HODL outcomes depend on entry timing and survivorship effects	Many successful HODL narratives reflect exposure to a small number of exceptional assets rather than the reliability of the strategy itself
Behavioral endurance is the limiting factor	Long drawdowns of 50–70% are mathematically survivable but psychologically hard to tolerate over multi-year cycles
Theoretical execution differs from actual execution	Investors rebalance emotionally, change strategies mid-cycle and re-enter after recoveries — breaking the passive assumption

This creates a key theoretical asymmetry: the median investor experience is consistently worse than the headline narrative, because real behavior departs from the assumptions on which passive holding relies.

06 Methodology & Research Team



To evaluate whether HODL delivers sustainable long-term results in real-world conditions, TU conducted a proprietary CAWI study focused on investor behavior, drawdown tolerance, market timing and execution consistency. Unlike most institutional studies that analyze theoretical market performance, TU focuses on the behavioral reality of HODL execution — not just whether investors support long-term holding conceptually, but whether they can actually maintain it during volatility.

1,247 RETAIL INVESTORS	18–54 AGE RANGE
Global N. AMERICA · EUROPE · ASIA	95% CONFIDENCE
±2.8% MARGIN OF ERROR	CAWI SURVEY METHOD

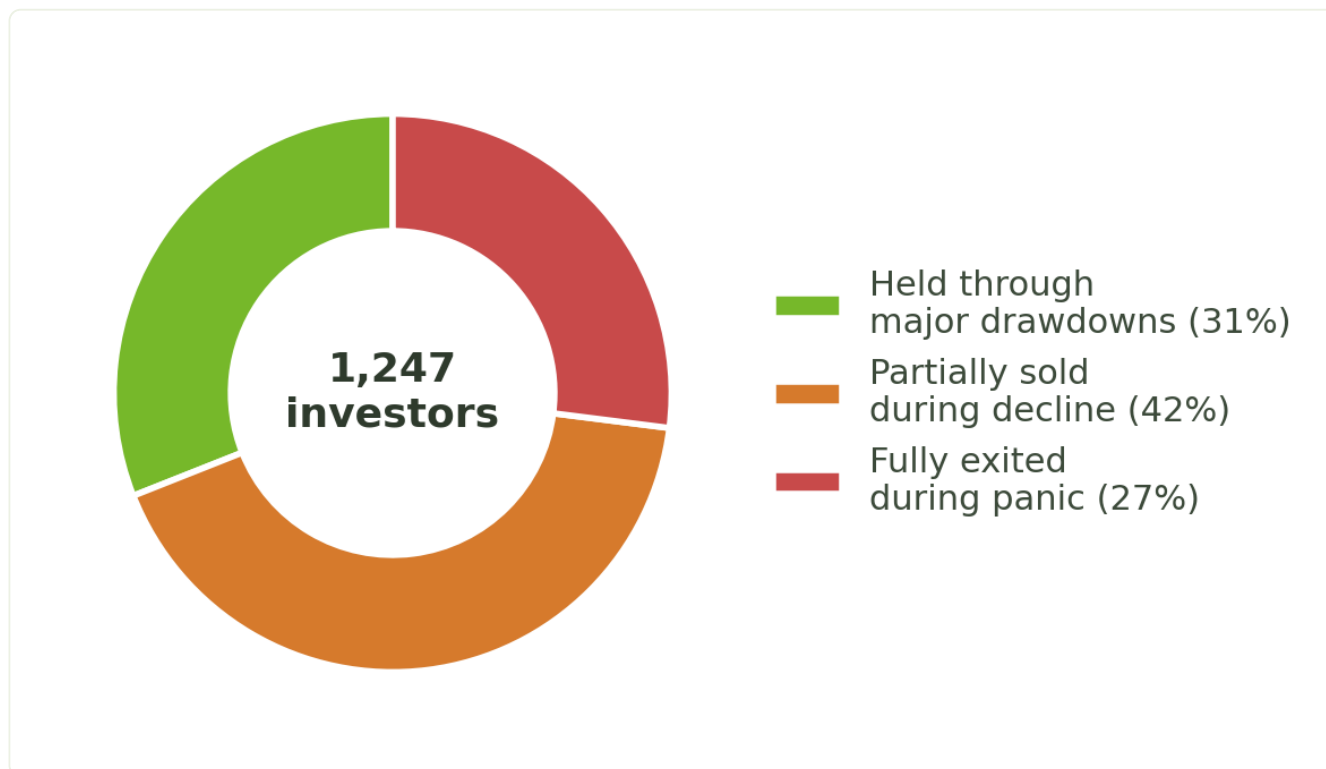
Eligibility: respondents with direct experience in long-term investing or crypto asset holding during the previous market cycle. The sample was additionally segmented by investment experience, holding duration and exposure to major drawdowns.

Research team

- Anastasiia Chabaniuk** · Author
Research design and interpretation
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Data validation & statistical verification
- Dan Blystone** · Editor-in-Chief
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Data collection and analysis

Execution reality

To evaluate whether investors are actually capable of following HODL strategies during volatile conditions, we analyzed behavioral consistency between declared plans and real actions during drawdowns.



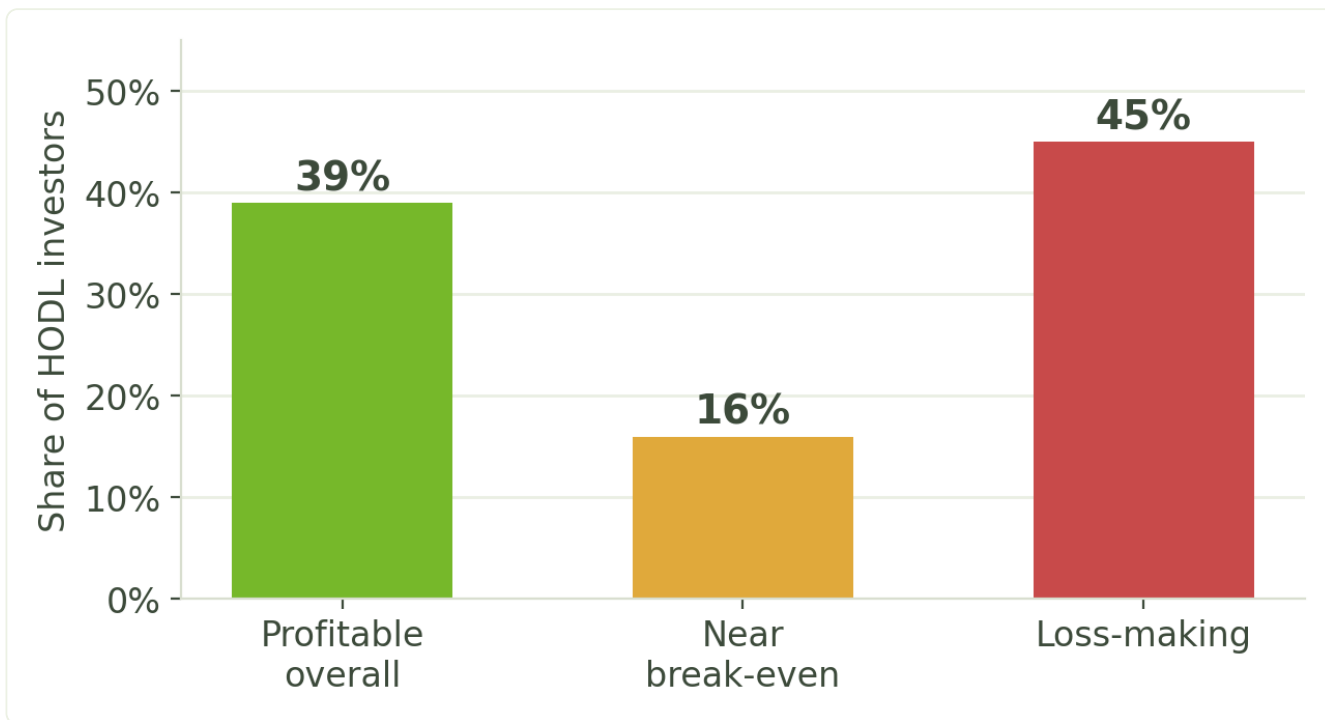
HODL execution during market declines

INSIGHT

The majority of investors fail to maintain true long-term holding behavior during periods of severe volatility — only 31% remain fully passive, while 69% partially or fully exit positions.

Profitability outcomes

To measure real-world investment performance, we analyzed self-reported profitability among long-term holders.



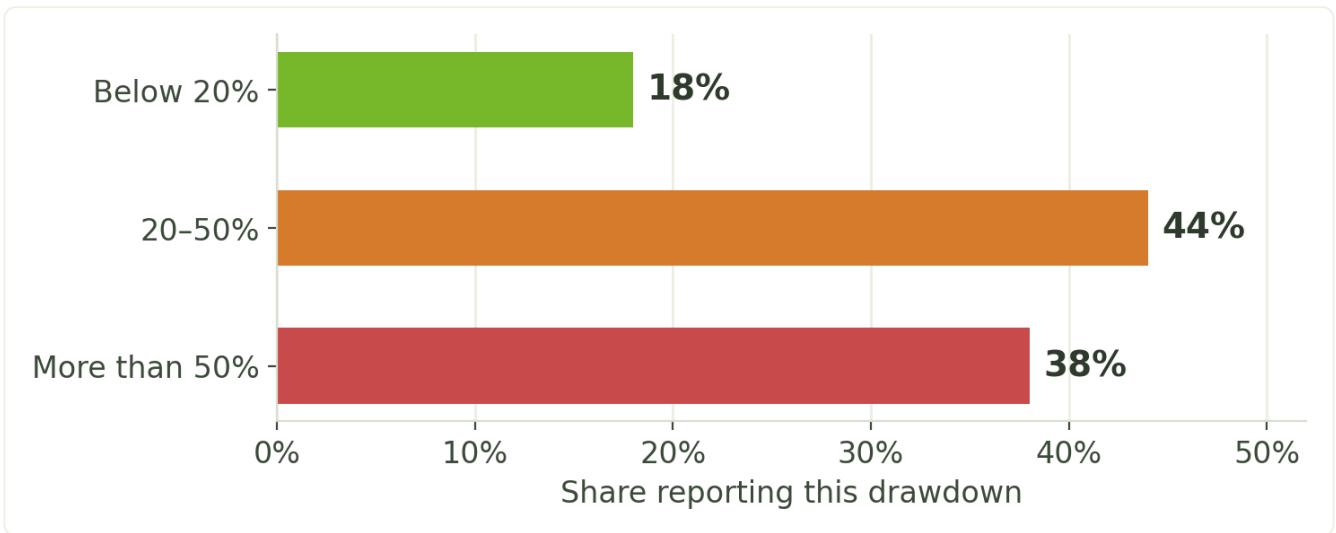
INVESTMENT OUTCOME	SHARE
Profitable overall	39%
Near break-even	16%
Loss-making	45%

INSIGHT

Less than half of long-term holders report positive outcomes despite multi-year holding periods. Loss-making outcomes (45%) actually exceed profitable ones, contradicting the assumption that time alone resolves investment risk.

Drawdown tolerance

To assess psychological endurance and risk exposure, we examined how investors reacted to large portfolio declines.



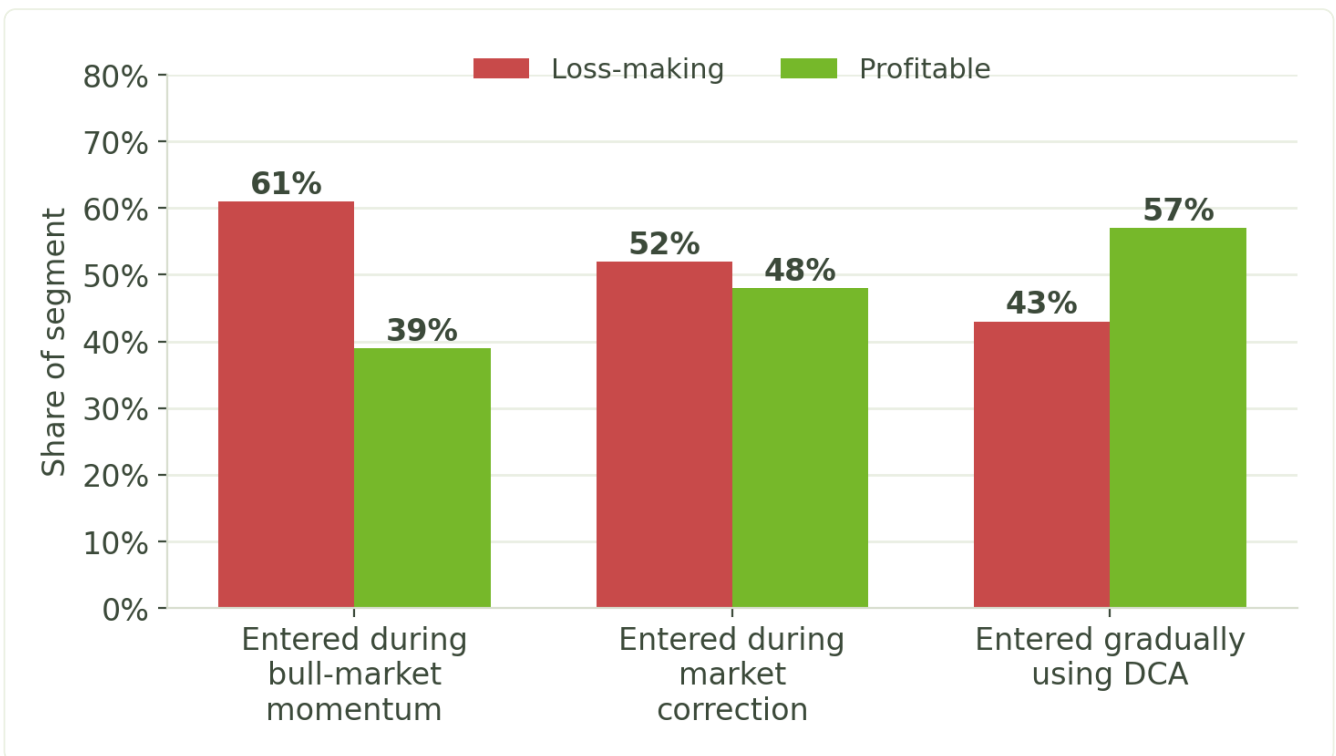
Largest portfolio drawdown experienced

INSIGHT

Extreme drawdowns are common among HODL investors. More than 80% experienced declines above 20%, and 38% faced losses greater than 50% — creating significant emotional and behavioral pressure that HODL theory does not account for.

Timing factor

To evaluate the importance of entry timing, we segmented investor results based on market entry conditions.



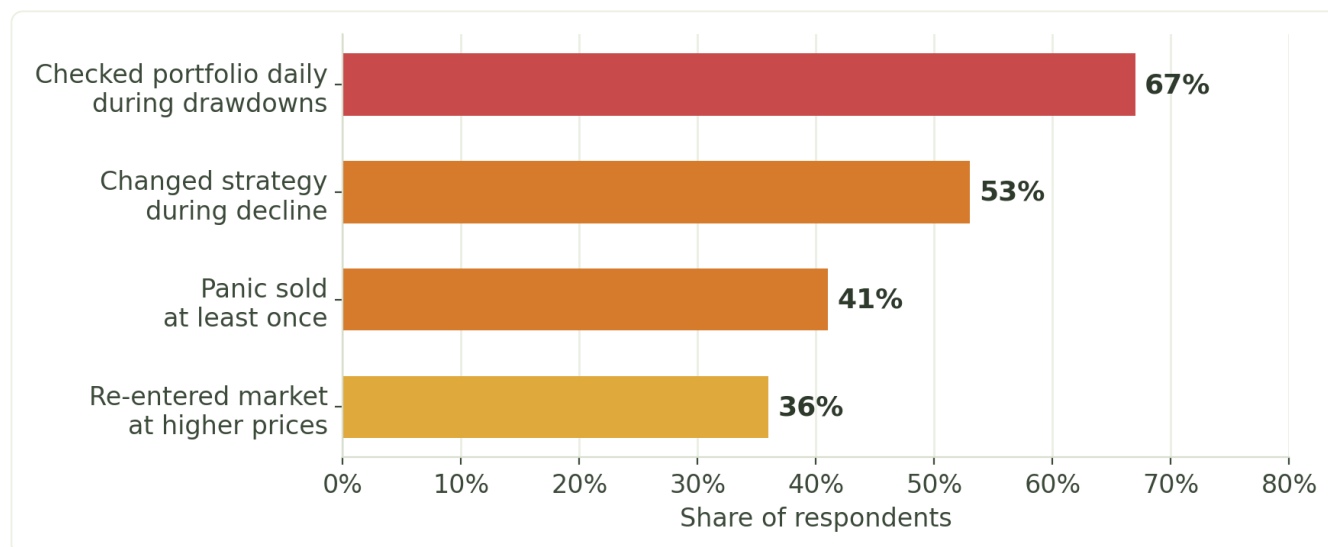
Investment timing and profitability — green = profitable, red = loss-making

INSIGHT

Entry timing has a stronger impact on long-term outcomes than holding duration alone. DCA users report 57% profitability, vs only 39% among those who entered during bull-market peaks — a structural rather than behavioral edge.

Behavioral inconsistency

To identify the gap between theoretical HODL principles and actual investor behavior, we analyzed reactions during periods of market stress.



Investor behavior during volatility

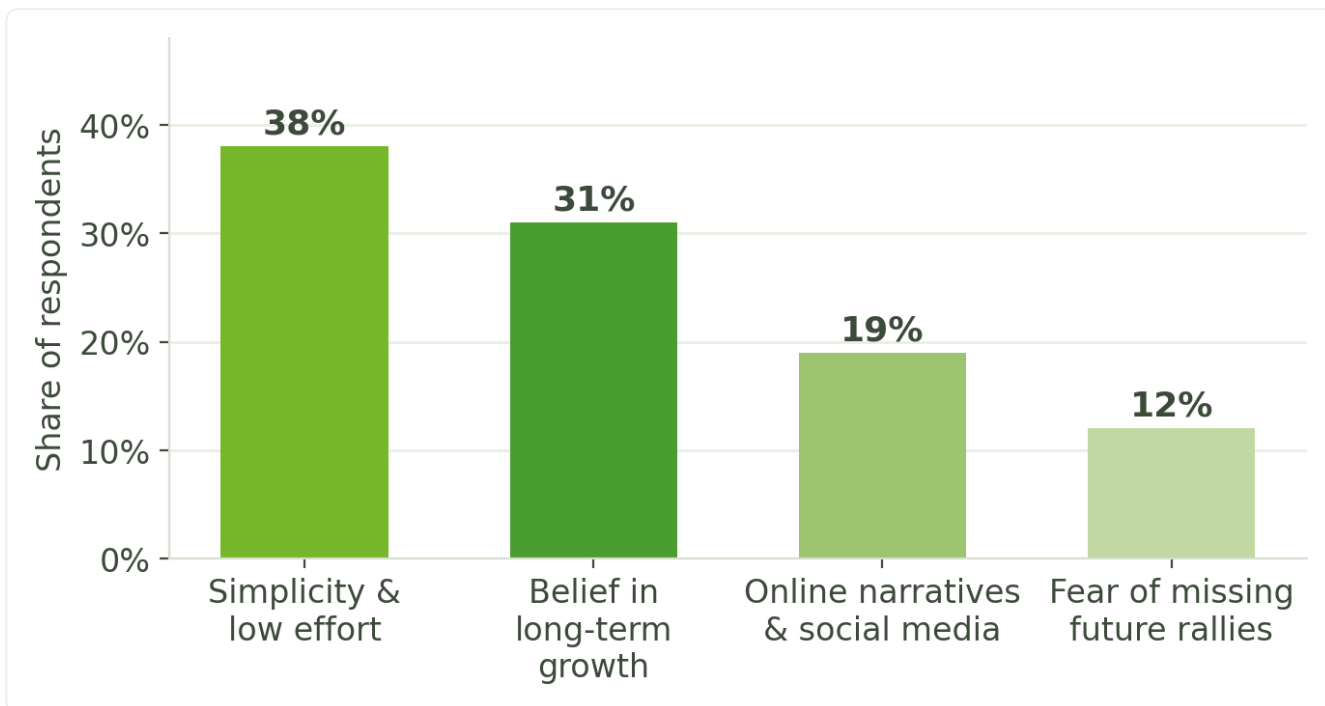
INSIGHT

Real-world behavior frequently contradicts the passive discipline required for successful HODL execution. Daily portfolio checking (67%), strategy changes mid-cycle (53%), panic selling (41%) and late re-entry (36%) describe a profile that is fundamentally inconsistent with long-term holding.

08 Why Investors Still Prefer HODL

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To better understand why HODL remains highly popular despite inconsistent real-world results, we analyzed investor motivations and behavioral preferences for passive long-term investing.



Main reasons investors choose HODL

INSIGHT

HODL remains popular primarily because it is psychologically simple and heavily reinforced by market narratives rather than by consistently strong statistical outcomes. Simplicity (38%) and belief in long-term growth (31%) together explain 69% of preference — emotional and narrative drivers, not data.

09 Practical Implications

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The research suggests retail investors should approach HODL more cautiously and strategically rather than treating it as a guaranteed long-term success formula:

- **Treat HODL as part of a broader strategy**, not a standalone solution.
- **Focus on risk management** alongside long-term holding.
- **Avoid excessive concentration** in a single asset or sector.
- **Use gradual entry methods** such as dollar-cost averaging (DCA).
- **Prepare emotionally for large drawdowns** and prolonged volatility.
- **Avoid panic selling** during market declines.
- **Rebalance portfolios periodically** instead of holding passively forever.
- **Separate social-media success stories** from statistical reality.
- **Define exit rules and portfolio allocation limits** in advance.

For long-term investors, execution environment also matters. Exchange reliability, asset selection, custody options, fees, staking access and security standards directly affect portfolio performance and risk exposure over multi-year cycles. Many retail investors combine long-term holding with DCA, staking, diversification and periodic rebalancing — making the choice of platform an integral part of implementing any long-term approach effectively.

10 Conclusion

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The research confirms that the HODL narrative significantly overstates the strategy's reliability for retail investors. Both institutional simulations (Monte Carlo median return of -28.4%) and behavioral survey data point to the same conclusion: HODL outcomes are driven by entry timing, survivorship effects and behavioral endurance — not by holding duration alone. The median investor experience is meaningfully worse than the success stories that dominate online discussion.

The practical implication is not to abandon long-term investing, but to stop treating passive holding as a substitute for strategy. Disciplined entry methods like DCA, predefined exit rules, periodic rebalancing and emotional preparation for major drawdowns address each of the structural weaknesses this research identifies. In real-world conditions, HODL works only when paired with the discipline its simplicity is often used to avoid.

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