Speaker 1: In this episode, we're going to talk about chasing performance, and in honor of Dr. Kay, we'll talk about rolling over a 401K.

Welcome to the Mullooly Asset Show, I'm your host, Tom Mullooly, and this is episode 16, The Gooden Episode. The way the format works in these videos, is Casey asks the questions that we've been getting from clients, and from other folks that want to talk about the market, talk about financial planning, talk about money management. They're great questions. If you've got a question that you'd like to see discussed on the video, get in touch with us. Don't wait. Just get in touch with us. You can find us on Twitter, you can send us an email, you can come to our website, you can even pick up the phone. The phone still works.

Casey's going to ask the questions, I'm going to walk through the answer. All right, Case, what do you got for us today?

Speaker 2: What were the best performing sectors last quarter? Do you think they make good investments?

Speaker 1: Okay, lets talk about that. From sector ... From quarter to quarter, we're going to see some sectors just come out of the blue, and really do well. Chasing that kind of performance can be really tricky. I'll give you a great example, while we don't recommend doing this, I know, just from experience, that sooner or later, with the way all of the energy names have been, just falling apart in the last year, year and a half. That sooner or later, the energy sector is going to wind up being the single best performer in some quarter at some time in the future. Does it make it a good investment? Probably not. Because it's probably bouncing off the bottom. It doesn't necessarily mean that that sector has now become a leader.

What we try to do, is not chase the hot sectors. What we're looking for are sectors that are not only doing well this quarter, but the previous quarter, and look like they're going to continue that trend for a while. How do we do that? Well, we not only look at their point and figure charts, but we also look at their relative strength. Are these stocks and sectors that are moving up faster than the market over a long period of time? That's really important to us. I think it's a trap to just say, "Well, internet did well last quarter, let's put some money in that." Or "Energy did well last quarter, let's put some money in that."

I think it's a trap to chase that kind of thing. I really think that you're at the mercy of what the next quarter is going to bring. Like you've heard me say on other videos, sooner or later, you're going to step on a bomb, and things aren't going to work out. Great question, it's really not a good practice to chase quarterly performance, too short term. You want to invest for something really long term. All right, Case, what's next.

Speaker 2: I'm about to retire and I heard that I have to roll my money over into an IRA. Is that true?

Speaker 1: Okay. This is a topic that's getting a lot of attention, and may get a lot more attention in the next year or two. There's nothing written that says you absolutely have to roll your money out of your 401K plan, into an IRA. Let's be 100% transparent on that. You don't have to do that. A lot of people like to do that. They don't work for the company any more, maybe they ended on bad terms, who knows, but they want to just start with a clean slate, and that's great.

You always have the option, once you separate from service, to roll that money that's in the company retirement plan, into your own IRA. Now, when would you want to do that? Well, suppose you work at a company, and they had a really had ... It's a small company, and they had, you know, 7 or 8 investment options. Not a whole lot of choices. That might be something that you want to take a look at. Perhaps you work for an organization where they said, you could put half of your money into these core mutual funds, and other half you could invest on your own at a brokerage firm. Well, if you roll it into an IRA, you could put the whole thing into different investments, giving you way more options. It may be a totally different cost basis, in terms of cost.

Maybe, you work for a really big organization, and they have 20, or 25, or 50 different investment options in your plan. This is when you want to take a moment, and just think things over first. A big company plan, say it's got 35, 40, 50 different mutual funds, they've got thousands of employees, they have probably, we don't know for sure, but they've probably negotiated some pretty low rates on the investment choices in your plan. No one's saying that you absolutely need to take that money out. You can leave that money in your own 401K for the rest of your life. You can do all your distributions right thought he plan administrator. No problemo. There's nothing that says you absolutely must move the money over, because, think about it, when you're going from a plan that may have negotiated low fees, low expenses, over to your own IRA, now you're a retail investor. You're a retail client.

Hopefully you're working with an advisor that's looking out for you, and keeping your costs down. That's really important, cause those costs add up over time. There's nothing written anywhere, that says, "Hey, when you retire, you must roll it over from a 401K into an IRA." You can leave it in that company plan as long as you want. There's a lot of misconception out there.

Two really good questions today. We appreciate getting these kind of questions, like we said earlier, if you've got questions or topics that you want us to cover, just get in touch with us. We'd be happy to do that. This was episode 16, just thinking about Dr. Kay, how this guy burst onto the scene in the 80's. It was so, so much fun to watch. It's hard to believe that it was 30 years ago. Cause it seems, to me, it seems like it was yesterday.

The next episode is going to episode 17, we're going to do that one in honor of Mex, our man Keith Hernandez, now he's up in the booth. We appreciate you watching. Don't forget, if you're watching on YouTube, hit that red subscribe button down below. Thanks again. See you on the next one.