Tom Mullooly: In episode 297, we talk about four things I wish investors knew. Stick around.

Tom Mullooly: Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 297. Thanks for tuning in.

Tom Mullooly: There are four things I wish all investors knew. The first is that the average period of retirement is now 20 years, and that number is getting even longer every single year. People are living longer, that's part of it, so the notion that you can retire and upon retirement, just turn off the risk or just turn off the growth, that is a myth. What if you did try to actually turn off the risk? Well, we want to point out to folks that the average rate of inflation over the last 20 years, I'm not even going to count '21 or 2022, the average rate of inflation for the last 20 years is over 2% per year. There's a great chart that we'll link to in the show notes that shows over 20 years, you're talking about more than 40% increase in just the cost of things.

Tom Mullooly: I'll put it in simple terms. 20 years ago, in 2002, if you needed $100,000 from your retirement investments to make ends meet, today that same amount now costs $140,000. That's when inflation was practically nothing. Now we are in a period where we're getting some higher inflation, things are really getting costly. The idea of going to cash, or putting it all into the bank at 0% interest, it's not going to keep up with inflation. That is so, so important. That's the first point.

Tom Mullooly: The second point is bear markets are the toll, or the price that we pay for growth. Really, you shouldn't try to avoid tolls. I mean, there's cops out there who are going to give you a ticket for skipping out on a toll, and there's no E-ZPass for this kind of path. Let me just share some numbers with you.

Tom Mullooly: 20 years ago in the summer of 2002, the S & P 500 went from 1100, almost 1200, down to 776. In 2008, the S & P got sliced almost in half. It went down again to 752. In 2011 we had a 15% drop in the middle of the year. In 2015 and '16, we lost 15% over a two year span. In 2018 we had a 20% drop in the fourth quarter, all by itself, 20%. 2020, I think everybody knows pandemic, market lost 35% in 33 days. I mean, that's a 1% drop a day. Here's the big but with all of this stuff. 20 years ago, if you retired in June of 2002, the S & P 500 was 1000, or bouncing around 1000. Today, the S & P 500 is bouncing around 36 or 3700. These bear markets and these pullbacks that we have from time to time are the toll. They're the price that you pay to get these kind of returns. So, so important.

Tom Mullooly: Okay, the third thing that I wish investors knew is that over your 20 year period of retirement or longer, you're going to have three or four pretty serious bear markets. It doesn't mean that you should be avoiding risks. That's so important. The whole idea of not taking risks, or selling, or trying to sidestep a down market, or moving to cash, or I'm just going to go to the sidelines, or I'm going to play defense, not taking risk is probably the riskiest thing you can do, because you're just not going to keep up with inflation if you do that.

Tom Mullooly: The fourth thing that I wish investors knew is that when we talk about automating your savings, that is so, so important. Getting regular periodic investing in your 401k at work, or your retirement plan at work, or sending money electronically into your brokerage account is some of the best things that you can do so the money gets invested. Even when the market's going down, you're buying more shares as the prices are dropping. That is what we want all investors to be doing, is putting money to work when the markets are really sloppy. I'm telling you right now, the future you is going to be very happy that you bought, that you invested in 2022.

Tom Mullooly: These are four things that I wish investors knew. Hopefully you already knew this stuff. Pass this along to a friend or someone you know who could really use some help with getting over the stress of the market in 2022.