

Tom Mullooly: In today's video, we're going to talk about how you will perform in a bad market. Stick around.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly. It's not just about how your investments will perform in a bad market, it's how you are going to perform in a bad market. There was a report recently from Edelman Financial Engines that reported that 63% of the people that they surveyed reported making a financial decision based on emotions recently, and a huge chunk of those people who said that they made a financial decision based on emotion now expressed some regret. They didn't say that they had regret buying something or regret selling something. They just had some regret that they made this decision based on emotion, that's really important. And we'll link to that report in the show notes. It's interesting to us at least that the trend of these emotional decisions being made about finances and investments, the trend actually decreased as folks got older.

There were a lot of folks in their '30s making really emotional decisions and then having a lot of regret. That number got smaller as people got older. But even with these emotional decisions decreasing as folks were getting older, we want to point out 53% of the people surveyed in their '60s and 46% of people in their '70s were reporting that they still made emotional financial decisions and they're still carrying regret about doing this. That's a lot of people. I mean, that's basically half of the respondents saying that they are still making financial decisions based on emotions and they're expressing some regret about it. So, look, we're recording this at the beginning of 2023, there's lots of volatility going on in markets right now. And we also know in the beginning of the year, people like to review their statements and they like to review what's happened over the past year. Don't get sucked into doing something emotional when it comes to your investments. What's a better way to do this is to remember your long-term plans when you're looking at things that might be a little upsetting to you, that's completely okay.

It's going to be a bumpy road, getting to where you want to go, it's not going to be smooth sailing. And we're going to have years like 2022 and periods where the market doesn't always cooperate with what you want. We've learned over the years, for example, if we were to take a poll of clients in January of '22, most clients would report or investors would report that they were overconfident about how things were going to go in the future. That's because the previous two years were pretty good. However, if we were to run the same poll today in January of '23, we're going to find that most respondents, they want to be risk averse and they're underconfident. It's a better way to say it. So, a lot of stuff comes down to your recent history. Sometimes they call it recency bias. It's important to keep that stuff in mind that making decisions, especially investment decisions and financial decisions based on emotion, often doesn't work out in your favor.

That's the message for today's video. Thanks again for watching. If you haven't subscribed already, just click that subscribe button below. Thanks again.