Don’t Be a Performance Chaser

Tom Mullooly: In episode 76, we have a word of advice for performance chasers.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode 76. People ask us all the time, where do you get these topics that you talk about in the videos and on your podcasts?

We get them from you. If you've got a question that is burning in your brain, get in touch with us.

Send us an email or pick up the phone and get in touch with us. Hey, Tim, what are we going to be talking about today?

Tim: I've been a conservative investor, but the market seems to be really well. Should I be doing something else?

Tom Mullooly: There's an old saying in our industry that when an investment works out, when it goes up, it was the client's idea, but when an investment doesn't work out, it was the advisor's idea.

Whatever happened to buying low and selling high? I think everybody seems to be forgetting that.

There's a few lessons that I want to share with you from 2008, 2009. Now, almost 10 years ago, we met a lot of folks at the end of 2008 and the beginning of 2009 who were looking to get out of the market entirely.

At that point, the market was down 40%. The barn has burned to the ground. You want to get out now? In the same vein, we're meeting a lot of folks now who are looking to get into the stock market for the very first time.

You should have something called a risk profile. This is your advisor's job. If they haven't done it, you need to have that talk, meaning you need to know before you start investing, are you a conservative investor, are you a moderate investor, are you an aggressive investor?

It's important to know, because if you're conservative, that means you're going to be conservative in good markets and you're going to be conservative in bad markets. It means that when your next-door neighbor who's aggressive is printing money in the stock market, you'll probably be making money, too, but just not as much.

Remember, you want to have a conservative profile. That's your choice, and you work that out with your advisor.

Likewise, when we go into bad markets, keep in mind that conservative investors don't really get hit all that badly compared to the rest of the market. Meanwhile, your aggressive next-door neighbor is getting massacred. That comes with the territory.

There is no risk profile that we've ever seen that says you're going to be conservative in bad markets and aggressive in good markets.

It doesn't work that way. You're either always conservative, you're always moderate, or you're always going to be aggressive. Aggressive investors have to learn to live with the fact that they're going to have really high highs and they're going to have terrible, terrible downs.

That comes with the territory. It comes with being aggressive.

If you jerk your investment profile around, if you say, okay, I want to be aggressive now at the beginning of 2018, or I want to be conservative when the market starts going down, you're going to struggle making money.

You're going to have a hard time racking up any kind of serious gains over long periods of time because you're constantly shifting your risk profile and taking stupid chances, and you're trying to time the market.

That's never a good idea.

If you're working with an advisor, it's the advisor's job to remind you hey, you said you wanted to be aggressive.

Taking some of these losses comes with being aggressive. As Tim said earlier in our planning meeting, it's easier to stick to a plan when there actually is a plan.

In closing, I'll remind you of something I was told my first day of work. Don't forget this. Sometimes bulls make money. Sometimes bears make money. Pigs get slaughtered. See you on the next video.