

## How to Measure Returns - Transcript

**Tom Mullooly:** In Episode 163 we want to talk about some statement math, so stick around.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 163.

I want to talk about statements. Many of you have received your third quarter statements from your retirement account at work. You may have gotten this in the last couple of weeks. A lot of retirement accounts will give you results year-to-date, but they'll also give you the trailing 12 months. Let's talk about that.

For some folks, their happiness might truly depend on where you draw the line. Year-to-date, numbers look great. So if you're just looking this year, things look absolutely terrific. But if you drill down a little more, you're going to find the trailing 12 months, from a year ago, maybe not the same kind of story. I just want to recap for folks what's been going on.

Last year, at the end of the third quarter, that would be September 30, 2018, the Dow Jones hit 27,000. Remember that number. On Christmas Eve last year, that's less than 90 days later, the Dow was at 22,000. That's a drop of nearly 20% in less than 90 days. And the NASDAQ, the small cap index, the mid cap index, everything else was down even more than the Dow Jones.

In fact, if you go back to January of 2018, not 2019, 2018, go back to January of 2018, the Dow Jones hit 27,000 for the very first time. We had 27,000 January of 2018. 27,000 again, September of 2018. And then 27,000 again this past summer, 2019. The market's really been flat for the last few months, since the summer. When you look at it that way, there's really not that much to speak of in terms of returns for nearly two years. That's okay.

We've had similar periods like this. The middle of 2014 through the middle of 2016, same thing. Market really went up, went down, but the market really went nowhere. We are going to have these kinds of flat periods from time to time in the market, and nobody likes to see long periods where there's no progress being made. No one likes to rip open their statement and see no progress. I get it. But these are exactly the kinds of tests that good investors need to get through. It's important that you just don't rip up the script just because your 12 month returns look flat. That's really important. There are going to be periods where the market's going to go down. And there's going to be periods where the market goes up. And there's going to be periods of time where the market's just not doing anything. Totally okay. We don't want to change the plan going forward.

Remember, for most folks, we're dealing with retirement dollars. This is money that you're going to need to live on for 25, 30, maybe 40 years. It's a long time to go, so hang in there.

If you've got questions, just reach out to us. Thanks for watching.