

Ep. 219: Retirement Planning, Casual 401(k) Advice, Trade Jitters - Transcript

Tom Mullooly: Welcome to the Mullooly Asset Management Podcast. This is episode 219, keeping our theme of being on the road and going through different area codes. We are concluding our little roadshow in Northwestern Indiana. We're getting close to Chicago, where Brendan was born, but not quite there. Gary, Indiana. Some of the other places, Northwestern Indiana, episode 219, that's the area code. Brendan Mullooly is here with me, Tom Mullooly, and we're going to cover some of the topics of the day, things that came up in our daily meeting here at Mullooly Asset Management, topics that are news worthy, and noteworthy. I think we're actually going to talk about Justin Tuck. Brendan, I saw that the couple of articles that we saw online and were kicking around here in our discussions had to do with 401(k)s and retirement planning. The single most important retirement planning strategy seems kind of simple to me.

Brendan M.: That was the catchy headline they put on, I'm sure that that ... I don't think that the recommendation of the article is really a retirement planning strategy, the recommendation, and they had interesting data to back up, was that if you work longer they showed the value of working three or four months longer is the same as adding an additional 1% of savings for 30 like years. You look at the different levers that you can pull in retirement planning, and it's how long are you going to work? How long are you going to be retired for? How much are you going to save each year? What kind of investment returns are you going to get? They kind of went through all of these just to show ... I guess it's intuitive, but if you work longer then your money needs to last not as long. You can save more, and your money has a longer time to compound before you're starting the decumulation phase of things. Yeah, you can do that. Is that a strategy people want though, like work longer?

Tom Mullooly: I think one of the questions that people need to address, and it's not something you can really discover in a financial planning meeting, or even in multiple discussions with clients. The question sometimes is I have to "work", I have to do this "job" until I'm 65, and then I can retire and do what I want. But if you like doing what you do, you'll probably never want to retire. The question really is, is this a job that you have to show up to, to collect a paycheck? Or are you doing something that you really enjoy doing? That's a bigger issue. It makes the years go by faster, and it also makes the work a lot more enjoyable, a lot more rewarding. Asking the question are you prepared to work longer? I guess if I had a job that I really hated, I would have to basically say, "Okay, the governor is extending my prison term for five more years."

Brendan M.: It's not always that though, I mean, some professions you can't work longer. If you have like a physically demanding job, banking on working longer as your retirement strategy, I think is a bad idea.

Tom Mullooly: Right.

Brendan M.: Yeah, for some people it might be feasible to work into their 70s, and if they want to, then that's a big part of the equation too, like what you're saying. But what I would say is that there's age ... people seem to earmark like 60s or mid-60s as like this time when they're supposed to retire. If they don't want to, and they want to keep working because they like what they do, that's great. If you can't work any longer because you're not physically capable, or you don't want

to, and you want to retire at 60, that's great too. You just need to make sure that you have the means to do that.

Tom Mullooly: Right.

Brendan M.: If you don't, then yeah-

Tom Mullooly: Then you have some choices.

Brendan M.: Then you got to make some decisions about what you're going to do.

Tom Mullooly: On a related note, we also saw an article in MarketWatch, 15 ways to make more money in your 401(k). I know when I read that headline I thought of that Paul Simon song, 50 Ways To Leave Your Lover, slip out the back, Jack. I was looking for that, it wasn't in there.

Brendan M.: Click-bait article here, there were some good recommendations, and some that I thought like I could leave. There were specific recommendations about how to invest, which I think is impossible to write an article about, because how could you possibly know how somebody should invest?

Tom Mullooly: One of the things that they said was, "Make sure you invest in a value fund." How do you know?

Brendan M.: Those are the things that I could take or leave, but there were other ones that kind of touched on some of the points that we just made, like what are the different ways that you can approach retirement planning? You could work longer, you can contribute more, you can start contributing early, make sure that you're getting your company match. All of these good things that I would tell people and then yeah, there were some different ones in there, like maybe you want to invest in value, maybe you don't. I'm not sure.

Tom Mullooly: Number 14 was, work five more years.

Brendan M.: Yeah, that's again oddly specific. It's like, "Yeah, maybe, I don't know, what if I can't?"

Tom Mullooly: What if you're second baseman for the Mets? You can't work five more years.

Brendan M.: Right. Again, it's impossible to write an article that's going to be applicable for everybody. I'm going to put this author on the roaster and just leave him out there. Whatever, the guy's got to write an article, but yeah, I wouldn't take specific retirement advice from an article or even this podcast. You should probably be sitting down with somebody to do that on a more personal level, that's how you're going to get the answers that really apply to you and not just some article.

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Tom Mullooly: One of the headlines that we saw, actually we lived through it earlier this week, market was down 500 points-

Brendan M.: How much is that in percentage terms? Just to clarify.

Tom Mullooly: I believe it was about 2%.

Brendan M.: Right, okay.

Tom Mullooly: On the Dow, the 30 stocks that most people don't have-

Brendan M.: Again, a 2% move is not as gripping as 500 points.

Tom Mullooly: But the thing that got my attention is that it had your favorite term in there, trade jitters.

Brendan M.: Yeah.

Tom Mullooly: Trade jitters knocked down the Dow 500 points for the worst day since April.

Brendan M.: Yeah, there were also headlines in the morning yesterday that said trade fears were easing and that's why the market was up. Then, I saw the exact opposite ones at the end of the day when the market was down again. I think Josh Brown tweeted something yesterday about the trade war being on and off, and on and off, and on and off. It's just like hopefully you're not making investment decisions based on the headlines. Because you're going to be jumping in and out, and you're going to have a horrible experience and bad returns.

Tom Mullooly: I think you had the ultimate response, though, to his tweet with your own tweet from Wayne's World.

Brendan M.: Yeah, it was just a car, game on kind of thing.

Tom Mullooly: Car, game on.

Brendan M.: Yeah, I don't know. Sure. I think it's important for people to know what's going on and this has certainly been in the headlines. To read the stories that are coming out, or to try to understand what a trade war mean, try to wrap your mind around it, but I hope that you're not making buy/sell decisions on a daily basis, based upon whether or not this even exists, because it seems like that's what we go back and forth with. Or maybe we're just using it to broadly describe what is happening in the market when realistically everybody who sold on Monday, did

it because of trade wars. Nobody have obligations to fulfill, nothing like that, no other possible reason for it, it's so simplistic. Come on.

Tom Mullooly: There was some good news this week, because we read that our man from Big Blue, Justin Tuck, graduated from Wharton and he's accepted a job at Goldman Sachs. It's really cool defensive end, he grew up in Alabama, went to Notre Dame, played for the Giants, had 66 sacks as a defensive end in his career. After his career ended, went to Wharton, graduated, now he's going to start next month at Goldman Sachs, that's fantastic.

Brendan M.: What's he doing at Goldman? I didn't read this.

Tom Mullooly: He said he was going to be a Vice President, everybody is a Vice President at some companies.

Brendan M.: Not to be the downer here, but I feel like it's probably easier to get a job coming out of Wharton at Goldman Sachs when you used to play in the NFL.

Tom Mullooly: It certainly helps with name recognition. I'm changing my name to Tom Brady.

Brendan M.: Right, that'll help.

Tom Mullooly: Yeah. What was interesting though was that I saw the article on CNBC and of course they always have some kind of click bait at the end of the article to keep you on the website. Right under an article about Justin Tuck, who played in the NFL, there was a little image and a video that they want you to click on of Richard Sherman from the Seahawks. Richard Sherman had to talk his grandmamma out of buying bitcoin.

Brendan M.: From what I've seen, he seems like a pretty smart dude too, didn't he go to Stanford?

Tom Mullooly: Tell us what you've been working on, what have you been doing with your free time this summer? What books have you been reading?

Brendan M.: I've read Thinking in Bets, which it seems like I'm a little bit behind on that in terms of getting to it, but I'm happy that I did. Everybody's recommendations were spot on with that book, just-

Tom Mullooly: This is Annie Duke.

Brendan M.: Annie Duke, right. Thinking probabilistically, like you have to with playing poker, obviously, that's where you might recognize her name from. Also, just finished The True Believer by Eric Hoffer, which was recommended by Patrick O'Shaughnessy. It was also, before I was reading, and I was just like gathering general data on it, and apparently it was one of Dwight Eisenhower's favorite books. It kind of gets into mass movements and the mind of the fanatic so to speak, and how they come to be that way, and how impossible it is to change somebody's mind once they've bought into something like that. A lot of parallels I think in

today's world whether it be politics, religion, or even like beliefs on how to invest. People tend to get very ingrained in their ways and pretty much it's just like cognitive dissonance, you could have the best set of data available that shows that they might be missing something and they don't care. Again, I'm part of this too. I'm not immune. Nobody is, really.

Tom Mullooly: The project for me this spring was to get this gigantic book out of the back seat of my car, because it's been there since November. I finished a book called *The Power Broker*, which came out in 1974, was written by Robert Caro, who was a reporter for *Newsday* at the time, and it basically chronicled the career of Robert Moses, and how he built most or many of the bridges and highways in and around New York City and Long Island. Having grown up in Long Island, it was really interesting to see how these things all came to be. I don't think that there's any character that we would be able to find after Robert Moses who could accumulate the kind of power that this man was able to grasp in his 40-year career. He basically was able to go in and rewrite the rules so that he could not be replaced by a sitting mayor or later by a governor.

He basically perpetuated his career. It raised him, in some cases, above the power of the office, the mayor or the governor, where he could get a lot of things done. He really was one of these guys, if you look at the things that he accomplished, you just shake your head and say, "That is inhuman," the way it all got done. But without having that kind of power, it never would've gotten done. It's a shame because a lot of these projects were spurred from his own dreams, and his own egos of what he envisioned, but many of them, the data showed that many of these projects once they were completed, they only created more traffic, not ease traffic in and around the city. It was very interesting to see how this all came to be, and helps explain why we all sit in traffic jams on the Long Island express way.

The other couple of things, of course I think we've both dug through the Michael Batnick book with the stories, I mean, they're terrific. He did a great job on that. But two other things that I'd like to share, not necessarily books, I watched the Google Talk, it was actually, it came out about six months ago with Frank Abagnale, he was the subject or the character behind the movie *Catch Me If You Can*. Very interesting talk. It's an hour long, I would recommend you watch it. The first 30 minutes kind of recaps the story that you can see in the movie, the Spielberg movie, but the last 30 minutes or so, he takes questions from the audience, and some of the things he talked about were really eyeopening for me. If you get a chance to watch that Google Talk, if you just google his name, Frank Abagnale, you'll be able to find it, it's one of the first things that comes up.

The other thing that I listened to just in the last couple of days. You know this guy who did the bitcoin courses, that guy James Altucher, he does a weekly podcast. I'm not a subscriber to his newsletters or his bitcoin course, or anything like that. But I will say whoever is the booker for his podcast that guy deserves a raise, because he gets fantastic guests on his podcast. He had an interview that was just published a couple of days ago with Ken Langone, who is one of the co-founders of Home Depot, it's a very long podcast, it's two hours, but it goes by in like 15 minutes. It's a fantastic talk. Langone is 82 years old, still works every day, has tons and tons of stories. I would recommend that to anybody. It's a great, great story.

Okay, that's going to wrap up episode 219. Again, our area code walk through the country with these different episodes as we were about to go on to record this podcast, Brendan and I realized that we could've started with 202, Washington, 203, Connecticut, you know, some of these other earlier podcasts as we go through different area codes. But we appreciate you listening, thanks again, and we will catch up with you in episode 220, thanks for listening.