Casey Mullooly:
Welcome to the Mullooly Asset Podcast. This is Casey Mullooly. I'm here with Tom Mullooly and Brendan Mullooly. This is episode 358, 3-5-8. This is Salt Lake City area code, which reminded me of the Salt Lake City Buzz. Minor League team back in the day.

Apologies to all our Salt Laker's out there, as we made a mistake with this reference. We realized after recording that the zip code is 385, not 358.

Tom Mullooly:
I went to one of their games, like 20 years ago, when I was out There for a visit.

Casey Mullooly:
The Hats were sick.

Tom Mullooly:
They were. Some of those Minor League teams have really great mascots and cool names and uniforms. Good stuff.

Casey Mullooly:
Yeah. All right. This week we have a couple of articles we're going to talk about, and I think we're just going to jump right into it.

Tom Mullooly:
I think these articles are very relevant to our listeners because most of the topics that we cover in podcast episodes like this are around financial planning. And these are topics that we've chosen because we've had similar kinds of discussions with people recently.

Casey Mullooly:
Yeah, definitely. So, the first one we're going to talk about is an article from MarketWatch that was published May 26th. So just last week. We're recording this on Thursday, June 3rd. So the headline is, "I'm 49. My wife is 34. We have four kids and 2.3 million saved. I earned 300 K a year, but lose a lot of sleep worrying about tomorrow. When can I retire?"

Tom Mullooly:
"When can I retire?" Is a question we get a lot.

Casey Mullooly:
Probably the biggest question we get when we help folks answer. So it was in the form of a letter to this writer at MarketWatch, who then tried to answer the question. Some highlights from the letter, college's fully funded for two out of the four of his kids. And he's saving for the other. He makes about $300,000 a year. Currently they have eight rental properties, which-

Tom Mullooly:
Eight?

Casey Mullooly:
Yeah, eight. Which earns them $6,000 per month. The writer is 50 and he wants to retire by the time he's 58. He plays around with retirement calculators to see if he can do this or not, but can't really get a straight answer. So guys, if this person came to us, what would be the first thing that we would do?

Brendan Mullooly:
A couple of knits to pick first and foremost. I feel like these articles are perfect because they get all this outrage because people see these like gigantic balances and like higher earnings, and they're like, "screw these people." Like, "what are they worried about?" But my retort to that is that somebody's financial situation, the numbers may be different, but the sort of like stress or anxiety that you feel over it doesn't necessarily stem from how large or small the numbers are, but more so your understanding of them and how in line they are with what you want them to be doing in, terms of like, if you spend 110% of your income, it doesn't matter if your income is 300 K a year or 30 K a year. Like you're going to feel like crap about that, I think.

Casey Mullooly:
So it's really more of like a lifestyle thing.

Brendan Mullooly:
Yeah. And also just the idea of like, aside from that, having the blinders on, and maybe not totally knowing where all the money is going on an annual basis. I mean, you can, as this article displays, you can have all the assets in the world, but if you don't feel good about what they're doing and their purpose, it may not necessarily be as comforting as it might seem to an outsider who says, "if I had $2 million and a $300,000 annual salary, I wouldn't be worried about anything." I think that's naive. I think everybody's worried about something. So it's easy to chick our fists at these people and tell them to "get over it rich guy," but that's not how the world works.

Tom Mullooly:
When I just zoom in on the article. And I realized that these articles get edited for content, but I think this also kind of bleeds over into discussions that we've had here in the office is that he is telling his story saying, he's got 1.7 million in a retirement account and about a half, a million dollars in cash and after tax savings. So, that's where he gets the 2.3 million. But then he says he owns eight rental properties. And I understand that they net after mortgage and expenses about six grand a month. But where is the value of those rental properties on the balance sheet?

Brendan Mullooly:
Also another nit to pick with this, which we run into very, very frequently is people saying initially that they have no debt, when what they mean is they have no consumer debt, right? Because later on they tell you they have enormous mortgages. So when we talk about debt, we're not asking to make people ashamed, we just need to know because debt needs to be serviced. And that's a cash flow item that needs to be addressed, whether you're still working or in retirement. So we run into that a lot where people will initially tell us I have no debts. And then we do data gathering and there are debts. And that's fine, everybody has debts. Not everybody can pay for the things that they want and need out of current cashflow. So you finance them, but we need to, I don't know, you don't need to be like proud if

you have none or shamed if you have it, in terms of like debt, we're just asking because it bears out in your finances in a multitude of ways.

Casey Mullooly:
That's a good point.

Tom Mullooly:
Yeah. I also noticed that they only had comments from a couple of financial planners in the article in response to this predicament that this person is in. But one of the things that we talk about, options that people need to have, or at least know that they have is going back to this real estate thing. If they're really concerned and need to raise cash or want to have cash, they can sell some, or all of these properties, pay off mortgages and create more cash for them to have on hand or to just build up as a reserve.

Tom Mullooly:
So we've got some of the details, but I think a lot of times, Brendan, and you can probably back me up on this, people come in, and when we talk about building a cashflow report and a balance sheet report, like you just said, they may not have a visa card with $10,000 owed on it, but they've got mortgages on a vacation home, but they're not even considering both sides of the balance sheet. "Hey, wait a minute. This is an asset. And it's also attached to a liability," but there's net value oftentimes in these things.

Casey Mullooly:
Right. So I guess that's kind of where we would come in. I think it's important to pretty much not tell them a yes or no answer. Like, "yes, go ahead and do it rubber stamp it, or no," it's more about presenting them with options and helping them walk through the different paths and having a plan for, if this happens, then we can do this and have some levers to pull.

Tom Mullooly:
He did bring up, and also the person who responded did bring up a very important point that if you're 50 and you want to retire at 58, understand that for just as fast as college costs are going up and he'll have some college students that he's not yet funded, he's also going to have healthcare costs. And there is very hard to predict what the escalation rate is going to be on buying your own health coverage, or it's a very hard thing to try and factor into a plan.

Brendan Mullooly:
Yeah. I mean, not only covering the two adults in this household, but the college students as well. So what does that six people?

Tom Mullooly:
Family of six.

Brendan Mullooly:
Coverage from age 58 until his age 65 and the wife is younger by 15 years or so. I mean, that's a lot of time buying marketplace healthcare plans and yeah, you can make a good estimate about what that's

going to cost and add it into all the other costs that you have on a day-to-day basis. It's a factor that you're going to have to make an educated guess about.

Casey Mullooly:
We came to this post from Ben Carlson, who wrote about it over on his blog, A Wealth of Common Sense. And his point in his post was actually aligned from Nick Murray, which was, "if you're still worried, you aren't wealthy."

Tom Mullooly:
Right. No matter how much money you have.

Casey Mullooly:
Right.

Tom Mullooly:
Yeah. If you're still worrying, you're not there yet.

Casey Mullooly:
So it's not as much about getting to a certain number in your retirement account or paying off all of your debts. It's more about how you feel about your financial situation and there's always going to be trade offs.

Tom Mullooly:
Yeah. I think sometimes people come to investment advisors and financial planners because they want them to juice the returns that they're getting on their assets to help them get to a point where they can continue spending what they're spending. And really, I think sometimes the value of a financial planner is, one of the values, is pointing out what your monthly expenses are.It's so important why we start with the basics. And I know I sound like a broken record, but understanding where your cashflow goes every month will tell a lot of the story.

Brendan Mullooly:
Yeah. I mean, for these people in particular with balances between investments in real estate, like they have, I don't know if it's so much for them a question of whether they can retire or whether they'd be okay if this guy didn't have his income anymore, that seems to be a concern, but what kind of adjustments they'd have to make as a result of that. Because if they're not feeling great with those sort of balances at their ages, I would assume then that monthly expenses are probably super high. Because we've seen folks retire on less than that.

Brendan Mullooly:
The headline, the headline number on the balance sheet or the assets minus liabilities number, that means nothing if you spend at such a rate, that's just isn't a match for it. You can retire with 2 million, you can retire with half a million. It's dependent on what kind of income you're going to have in retirement and what your expenses look like and whether or not that's matching. And just because you have a high income and a large balance sheet doesn't necessarily mean you're in good shape.

Tom Mullooly:
I Wish we could drive that point home more frequently, or I wish our industry could do a better job of getting folks to understand that the cashflow is so critical in retirement. How much are you bringing in versus how much you're spending. I hate to simplify this, but if you're bringing in more than you're spending, you're going to be okay. It's having to rely on the assets and having to rely on the assets early on. First few years of retirement that can really just crush your plans. I mean, this person wrote in their letter that they obsess on retirement calculators, that's a trap.

Casey Mullooly:
Also say they average 12% a year, which we kind of talked about on last week's episode and how that average number kind of complicates things.

Tom Mullooly:
So it's funny. I printed this article out in advance and I got to the first page, just reading what this guy wrote. And the first thing I scribbled in the margin was why don't you work with a financial planner, it'll be worth the cost and you likely have less stress. And this guy's trying to do all of this stuff himself. So I can just picture this guy at 11 o'clock at night on some Fidelity or Vanguard, financial calculator, trying to estimate what the numbers are going to look like. Get help.

Casey Mullooly:
Yeah. I think that was one of the recommendations from the author of the article. Another one of the recommendations was to do some sort of hybrid consulting role, which kind of lines up with what we've seen some folks that we work with, or at least have been talking to they're considering scaling, not doing a full blown retirement, like a hard stop date, more of gradual kind of just working maybe 15, 20 or 30 hours a week. And it lines up nicely with one of the trends that we've been seeing in the workplace. Another article written on June 1st, the headline was, "Employees are quitting instead of giving up, working from home."

Casey Mullooly:
So this was talking about how COVID has forced pretty much everyone to work from home over the last year or so, but now that things are looking better and offices are opening back up, people are reluctant to give up the flexibility that working from home has allowed them. One of the points in the article was that hybrid work, meaning in the office one, two, three days a week, working from home two or three days a week and doing that 20 or 30 hour instead of 40, 50, 60 hours a week, how that's going to be a real option that people want moving forward.

Tom Mullooly:
Its funny that we're talking about this, because Brendan, you and I had a separate conversation yesterday, where we were just kicking around that comment from Jamie Dimon, who's CEO of JP Morgan Chase, who said, "if you want to get ahead in your career, come into the office, this is where the hustlers are." And you had a very interesting take on that.

Brendan Mullooly:

Yeah, I don't, I don't know necessarily that that's a good way to assess whether an employee is valuable to the company or not. I think it's just BS signaling for the most part. Obviously you want committed employees who are willing to go the extra mile for their job. I would personally prefer to see an employee go the extra mile for the job, doing whatever their role is instead of doing an hour long commute, as some kind of like litmus test for whether they are like committed to the company or not. I think that it's kind of useless, and especially from companies who over the last year brought on new employees, telling them they could be remote that are now like trying to pull the carpet out from underneath their feet. I think that's a bad look.

Casey Mullooly:
Yeah. There's a quote that was pretty funny in the article. Said, "They feel like we're not working if they can't see us, it's a boomer power play."

Brendan Mullooly:
Yeah. Like, obviously people need to do their jobs. And so like if they're not, if they're not doing a good enough job and the idea is that, "Hey, we can point to this. And in 2019 you did a great job, in 2020, you kind of stunk, and we weren't here in 2020. So maybe you're better off operating in an office environment because it gives you the motivation you need." That's great. I got no problem with people who want or need to be in the office and do it. But if somebody was just as productive from home as they were the prior year, or is completing all the tasks that are put in front of them, I don't see a reason why they should be forced to come back into the office if they don't want to

Tom Mullooly:
If they're hitting all the goals that have been set for them. And that's part of the problem is not having clearly defined goals and tasks and processes, then that's going to be a problem. I think a lot of people got a pass this year, but other businesses have been exposed through this pandemic. Businesses that weren't prepared to have people work off site, and didn't have processes in place to monitor progress. These are the businesses that are going to get exposed. And so, as I said to both of you, I think there'll be a little bit of a resurgence in terms of people from the client side, people wanting to come into the office.

Tom Mullooly:
But I think once they get it out of their system, they're going to say, "you know, that could have been an email or that could have been a zoom call or that could have been a phone call instead of needing to come into the office." So part of it is, if you're in a client facing role in your business, what's going to happen now when people can start to move around a little more? If you were not in a client facing position, Brendan, you had mentioned that it's a middle management problem.

Brendan Mullooly:
I think the middle managers are the people that want people back in the office cause their job is to babysit more or less, not do anything. So without the role needed of managing others, like if you're managing other people and you were doing that in an office, how are you doing that from home? And if you can't do it anymore, then of course you want everybody back in the office because otherwise you're obsolete.

Tom Mullooly:
Yeah. The point that needs, to bring it back to this Bloomberg article and we'll link to it in the show notes, is that a lot of people were, for lack of a better term, pressed into service in February and March of last year. And they went along with this whole lockdown business and working remotely and everyone's for the most part, been a good soldier when it comes to this. And now things are starting to open up and people are starting to say, "You know what? I don't want to do this anymore. I've had enough."

Tom Mullooly:
And so like the headline in this Bloomberg article, instead of saying, "Okay, things will go back to the way they were in 2018 and 2019. You know what I'm, I'm just going to do something else." And we're starting to hear these comments from our own clients who are saying, "I don't want to do this anymore." Unfortunately they're not at a point or an age where they can seriously consider retiring. And so they're kind of stuck in a weird place where it's like, "Okay, I'm not really sure what I'm going to do. I don't really know if I have the resources to retire." What do you advise?

Casey Mullooly:
Yeah. It's definitely an interesting dynamic. That's evolving. I'm sure. I don't think this is the last that we're going to hear about this. Just a couple interesting couple of other interesting points from the article, more than a third of the respondents in a survey, they referenced said that they save at least $5,000 per year by working remotely.

Tom Mullooly:
I believe it.

Casey Mullooly:
So just not commuting every day to the office. That's a pretty nice amount of savings for people. I mean, it kind of frees them up to do other things, other passions or interests or save that money or pay off some debt.

Tom Mullooly:
And also is something that a lot of people talk about right before they retire, is that they're looking for more balance in their lives. And if you're spending an hour and 15 minutes on a bus to New York city from the Jersey Shore, not cool. That's two and a half hours each way, each day.

Brendan Mullooly:
Yeah. Money and more importantly time.

Casey Mullooly:
Yeah

Tom Mullooly:
Yeah.

Brendan Mullooly:
That is useless. So again-

Casey Mullooly:
It takes a toll. It definitely does. The article wrapped up with a pretty bleak quote, but I wanted to share it. One of the people that interviewed said, "A lot of people are afraid of the cycle where you work and work and work, and then you die."

Tom Mullooly:
Yeah. That happened to my dad. So absolutely.

Casey Mullooly:
It's a real concern. And I think that, like you said, people were forced into it, but then they realized, "Oh wait, this is actually pretty nice. Like having these, this option, this flexibility in my schedule is nice. It allows me to do more things that I actually care about." So we'll see how this plays out, moving forward.

Tom Mullooly:
Hey, Casey. I think there was one more article that we wanted to talk about with this new law that's being proposed, where they allow people to take money out. Kind of like a mini version of the CARES Act from last year.

Casey Mullooly:
Yeah. So definitely COVID inspired yet again, but a new piece of legislation was introduced. It's not law just yet, but it proposed that one emergency distribution would be permitted per calendar penalty free from 401ks and IRAs. The distribution would be limited to vested amounts over a thousand dollars with an annual maximum withdrawal of $1,000.

Tom Mullooly:
So it basically becomes your emergency stash. So I know this was an article that was in ThinkAdvisor. Again, proposed, but I also read in the same article that it's got a good shot of getting approved.

Casey Mullooly:
Yeah. I thought it was interesting how the article noted that it's supported by several industry groups. So people in the financial industry have lobbied for this to happen. So I thought that that was interesting that the author pointed that out.

Brendan Mullooly:
It's probably people who offer retirement plans who just want more money in their plans. So I mean, the idea here is like people might feel more comfortable contributing to a 401k, if they knew that like in a pinch they could get money back if they absolutely had to. Because you talk about committing to a savings plan and it's tough to do that because you don't know what the future looks like. So obviously like you want to commit as much money as you possibly can to your retirement plan, because that's going to be good for you down the road.

Brendan Mullooly:
But you don't know what's reasonable or unreasonable because you don't know where your life is going to be at two years. And some unforeseen thing happens and maybe you, maybe you did everything right. And you did have emergency savings outside of this, but like something big happened. So it, I don't know, it might make people have an easier time sending more money into retirement plans. And I think maybe that's why the lobbyists are supporting this because it seems like removing a barrier to entry for people who might otherwise feel like they're not in a place to contribute or would contribute less.

Casey Mullooly:
Yeah I know that's definitely a concern, especially for people our age in our early thirties, late twenties who have a lot of other things going on in terms of saving for our house, paying off student loans, there's a lot of money going out. It's like, "All right, well, what do I do first? Do I build up to the emergency savings first? And then do the 401k? Like at what point do I stop the emergency savings and put that into the market, into a retirement plan." So this maybe would allow people to do both.

Brendan Mullooly:
Thanks. Because in hindsight, if you do the responsible thing and have an emergency fund that's in cash, in hindsight, when there's no emergency, you feel like an idiot. "Oh wow. I've held all this money in cash now for three years. And I didn't need any of it. I wish I had it in something different in the interim," but you obviously can only know that in hindsight, and you'd be happy that you didn't have it in an investment 401k or retirement plan if there were an emergency. And so I think maybe this helps to combat some of that regret there where you can be funding an emergency fund while also sending maybe a little bit more than you might have otherwise the 401k, because you know that, God forbid something happens, you can get to some of that money.

Tom Mullooly:
I do like the fact that they've loosened it up or they're proposing to loosen it up. So if you do run into a problem, into a jam, you can tap into this money once a year. But overall, I think that as a nation of working folks, we've all gotten the message for 40 years that we need to provide for our own retirement. And I think everybody's gotten that or for the most part, everybody's gotten that message that it is so important to start building your retirement fund, as soon as you start working, that is really important.

Tom Mullooly:
But I think we run into people who have have a completely lopsided approach now, where all of their money is in a retirement account and it's locked up and they can't touch it. And so there needs to be some kind of balance when you're getting started about building your emergency cushion versus putting some money away for retirement. It's important, no doubt to put money away for retirement, the longer you can let that money compound the better you're going to be. But not at the sake of working without a net, you need to have a safety net.

Casey Mullooly:
Yeah. You need to take care of today in order to get to tomorrow. Interesting that the... So it's not like

they could just raid this account. Like we said, there are a thousand dollar maximum withdrawal per year. And the bill also requires that the individual put the money back in the account before they make another distribution from the same plan. So you kind of got to put it back in before you can take it out again. So it's not something that's meant to be tapped into year after year.

Tom Mullooly:
It's not going to be the Bermuda trip.

Casey Mullooly:
Right. It's for true emergencies. I think that's going to wrap it up for this episode. This was episode 358, Salt Lake-

Tom Mullooly:
Straight from Salt Lake City.

Casey Mullooly:
Salt Lake City Buzz. I think they're called the Bees now.

Tom Mullooly:
Okay.

Casey Mullooly:
Unfortunate but Buzz is better. But anyway, thanks for listening. And we'll catch you on the next one.

Casey Mullooly: