

Starting Your Financial Plan - Transcript

Tom Mullooly: Welcome to the Mullooly Asset show. I'm your host, Tom Mullooly. This is episode number 68, a little different this time. What I want to cover today is starting your investment plan.

Let's face it. There's a lot of people out there who are very good at planning, but they're not actually good at starting. What we need to do is figure out how do we actually begin our investment plan instead of just talking about it?

Let me give you an example. I know that when I wanted to start a new habit, I used to read those Zig Ziglar books. If you ever want to get motivated, pick up a book by Zig Ziglar.

Tim, you can probably put a link in the show notes about that. But he said, "Hey, if you want to lose weight, the first thing you should do when you get up in the morning is run out the front door to that lamp post.

Then the second day, run to the second lamp post. Then the day after that, run by two lamp posts and a mailbox." You just build on that.

I know when I started swimming a couple of years ago, I was terrible in it. The first time I got in the water, I swam to the other side of the pool. I swam back, and I got out of the water, because that was all I could do. I was totally out of gas. Now I swim just about a mile every time that I get in the water. I couldn't do that immediately, but I built up to it.

We have a lot of folks that talk about planning, and I'm going to do this, and I'm going to put money away for retirement and my kids' education, and blah, blah, blah, blah, blah. It's all a waste of time until you start doing something.

We have someone that we know here in the office who has actually opened accounts for his kids, very young kids, wants to put money away for their college education in 15, 16, 17 years. That's great.

It's really great. But it turns out that he's got some real cash flow issues. He would put money in for his first child and then less than a year later, he would call up and say, "Something's come up. Can I get the money back?"

We have to sell everything, and then he's going to get a 1099. Then he gets the check, and it's a mess.

About a year goes by, and he starts again, this time for his two kids now, and same thing, wants to put money away for college, starts putting in a little bit.

A few months go by, calls again, "Hey, something came up, and I need the money. Can you send me a check?" This is not a plan. That turned out to be just a random parking place for this guy. Don't be that guy.

He called us recently and said, "I have an old 401(k). Maybe we should roll that over and do something with the money, because it's not doing as well as it could."

We can talk to him about what it's doing inside his 401(k) without him taking it out. But he wants to take it out, and he wants to roll it into an IRA.

One of the things that we suggested to him, it's something that probably no other financial planner in the universe would suggest, but we said, "Look, it's just our observation that you start plans, and then you rip them up. That's not really a good way to go. Maybe what you need is a base. You need some kind of nest egg so that you're not ripping up your plan three months or six months down the road."

Like I was saying, I don't think a lot of financial planners would suggest this, but we floated the idea to this guy that maybe what he ought to think about doing is take the money out, pay the tax, and put the money in the bank.

It's probably not going to add up to three to six months of fixed expenses, like we usually recommend, but it's a start. It's a start. It's something that he can bank on, so to speak, and have that nest egg going.

From there, then you start to pile on money for retirement, money for college, money for other expenses.

It's great to talk about planning.

Nothing counts, though, until you start doing it.

See you on the next episode.