Take the Emotions Out of Investing - Transcript

Tim Mullooly: On episode 81 we're going to talk about taking the emotions out of investing.

Welcome to the Mullooly Asset Show, I'm your host for today, Tim Mullooly. Let's get right into the question, Brendan, what are we going to be talking about today?

Brendan: So I have this stock that I inherited from my dad, and I'm not sure if it's a fit in my portfolio anymore. It hasn't been keeping up in the last couple of years, but I'm kind of attached to it. What should I do?

Tim Mullooly: Well, one thing that we like to tell our clients here at Mullooly Asset Management is to keep the emotions out of your portfolio, and out of your investments. We like to have people look at their investments and their portfolio as if it was starting today, and there is no rear view mirror.

Evaluating each position one by one, would you still buy this today? You might have inherited this position from your parents or from a relative, or you might have some sort of emotional connection to it, or some nice anecdote dating back 10 or 12 years of why you're still holding on to this stock.

But if it doesn't really fit in your portfolio, it might be time to get rid of it. Obviously consider the tax consequences when you're making that decision. If you're going to sell it and it would trigger some sort of big tax hit for gains, that's obviously something to take into consideration as well.

Another thing that we also like to talk to people about when they come in with these kinds of questions is what are you trying to accomplish with this portfolio? It's important to have some sort of a personal investment policy, to understand what you're trying to accomplish with this money.

Is it for retirement? Does it need to grow to X amount of dollars? If that's the case, if that position that you're trying to evaluate doesn't really get you to that point, it might be time to move on to something else.

But you know, if you're just holding on to a couple of stocks that you like, or you like the company, or something like that, then maybe continue to hold on to it. It really just depends on what the money is for, and what your own investment policy says.

Kind of a sports example of this, I talked about it in a recent blog post that I'll link to **(See Show Notes),** the New York Mets, our beloved team here at Mullooly Asset Management, David Wright has been the captain of the team, has been on the team since 2004, played 3rd base pretty much every year, up until about 2015 when he got diagnosed with spinal stenosis, an injury that has kept him off the field for pretty much since 2015 till now.

Last off season they went out and signed Todd Frazier to play 3rd base, essentially admitting that David Wright can't really play 3rd base anymore. It was a hard thing for the team and for the fans to admit because he had been a fan favorite and the captain for so long, but moving forward it's the best thing for the team to get someone in there that can actually perform and help the team win.

So kind of along the same lines of a stock in your portfolio, if it's not helping your team win, it might be time to replace it with something that can.

Just one more analogy to help this message sink in, when you're driving a car, it's important to remain focused on the road ahead, and not behind you. We're not saying that historical performance and the past is unimportant, but when you're driving a car you glance out of the rear view mirror, you're not staring at it while you're driving your forward.

You have your eyes focused on the road ahead, and you're not fixating on what's happening behind you.

So, keep that in mind, and try and take the emotions out of investing, and your portfolio will be better off. But that's a great question, hopefully this message sunk in from one of the different analogies I gave you. That's going to do it for episode 81, and we'll see you next week on episode 82.