Tom Mullooly:

If you're under 40 years old, if you're under 50 years old, you should tune in and watch Episode 311.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 311. Thanks for tuning in.

I had a conversation this week with a fella who's putting money away for retirement. He's not quite 40 years old, and he works in a job where he can retire after 20 years. He was quick to point out that he can retire, that magic word, he can retire in five or six years when he's going to be 43 or 44. He was unhappy with the way the market was going this year, and his quote to me was, "Hey, I've added $20,000 to my retirement plan this year, and it evaporated in about five weeks. I want to know what the plan is to get back on track or to make up these losses." I took the time to walk through some things with him.

I started out by asking, "Are you still on track to retire when you're 43 or 44?"

"Yes."

"Okay, that's in about five or six years. Do you plan on tapping into this money in five or six years?" His answer was no and he added, "I hope I never tap into this money." Okay, now we're going somewhere.

I shifted the conversation and I said, "Hey, we recently planted some trees in our backyard. It's going to take a long time for them to grow, but we're hoping in 3, 4, 5 years that these things, these trees that we planted, provide a nice hedge for our yard. Do you think we should rip them up after six weeks or three months, just to see if the roots are growing?" He was like, "That's ridiculous. You shouldn't do that." I'm like, "Okay, this is what we're talking about with your retirement dollars." It's the same concept. These trees are going to provide shade for us over the next 20 years, 30 years, 40 years. If you can afford to put money away into a retirement account, it's a retirement account. It's not a day trading account. It's not something that you're going to tap into in the next few years. Again, if you can afford to do it, you should. We encourage people to put money away because it's the same concept for someone who's 37 years old or 47 years old. This is money that needs to compound first and then last over 30 years, 40 years, maybe even longer than that.

It's an important concept I think a lot of people forget because we're conditioned as Americans to not see losses. We don't like losing. We're Americans. We don't like to see losses in our investment accounts. It's unsettling when you see the stock market going down, and we've seen the market going down now in 2022, it's been, we're into our 10th month where the market has gone in one direction. Even with the market going down as much as it has in 2022, I want to point something out.

A lot of accounts are down 15, 17, 18, 20%. It feels like if you just read the headlines, it feels like we're down 48%, not 18. It's very different, and I think that point needs to be driven home.

We've got charts that we'll link to in the show notes that show what happens to markets in the six, 12, 18 months after the market drops 25%, after the market drops 30%. The numbers are very good. What we have to remember is this is long term money that needs to compound. It needs time, like those trees in the backyard, it needs time to compound. The worst thing you can do is interrupt the compounding. This guy was talking about, "Well, I'm thinking about not contributing next year, or reducing what I put into it because this isn't working." That is probably the worst decision that this guy could make. When prices are depressed like this, you are getting a free shot to add more money to something that is going to grow like crazy over the next 5, 10, 15, 20 years. Don't interrupt the compounding. It's very, very important that you take away that short-term vision with retirement dollars. With other accounts, yeah, of course, you should be focused on what's happening day to day, but for long-term money, don't interrupt the compound.

Thanks for tuning in to episode 311. Talk to you again soon.