

What Do I Do With My 401k Now? - Transcript

Tom Mullooly: In Episode 188, we answer the question of, "What do I do with my 401(k) now?" Stick around.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is Episode 188. Thanks for tuning in. So, I want to take a quick walk down memory lane. In 2019, the market was up 30%. And the first six weeks of 2020, the market was up a few percentage points. It was up slightly, and then, wham, down 35% in the last few weeks.

Now what?

Questions we've been getting, "Should I move to the sidelines now that the market's recovered a little bit? Is there going to be another leg down?"

When it comes to your 401(k), it's really very simple. You should set up your contributions and just put them on autopilot to be invested in the same funds that you own. Hopefully they're in the best funds in your plan. If you don't know, get in touch with us.

But we get calls from folks all the time, and they say, "Hey, we're getting a bonus in January or February. We're going to max out our 401(k) contributions, all up-front." We're not fans of that approach, primarily because you're trying to time the market, whether you know it or not. You're basically saying that, "I'm putting all my money in now because I suspect that the market's going to go in one direction all year." If you have money going in on a consistent basis, every two weeks, you don't have to worry about, "Are we going to catch the bottom with this?" Or, "Will the market retest the lows?" Or, "Is there another leg down coming?" Set those contributions up ahead of time so you don't even have to think about it. And "think" is the thing that I want to focus in on. You don't have to think about these things when everybody is flipping out.

I've got a buddy who's a pilot for a very, very, very, very large airline. He spends an enormous amount of time checking his pre-flight plans, his list, and his instruments. Why? Because if he's caught in a storm or if he's caught in some kind of situation, panicking is not an option. He won't have time to think in a situation like that. So he's got a plan if something goes wrong.

We have a plan as well if something goes wrong. Ripping up the script, ripping up your investments, moving to cash, trying to make crazy changes in your retirement plan... Remember, this is money that you're going to live on at some point in the future. Ripping up your investments, especially during a storm, usually ends poorly. We don't recommend it.

If you've got questions about your 401(k) plan and what's going on with it, or your retirement account at work, give us a call. Be happy to talk to you about it. Thanks for watching Episode 188, and we will catch up with you again on the next episode.