Tom Mullooly: What should we do in a market like 2022? Well, stick around. We're going to talk about that.

Tom Mullooly: Welcome to the Mullooly Asset show. I'm your host, Tom Mullooly, and this is episode number 302. Thanks for tuning in. 2022 so far has been a train wreck. What do you do as an investor? What should you be doing? Well, there's a lot of folks who have been asking us, should we be ripping up the script? Should we be making changes in the account? What should we be doing? The first thing that we'll say to folks who are curious about the market is, if you're not investing in this market, in a down market when things are on sale, you're probably never going to get used to the idea of investing in assets that have risk, things that can grow. This is going to be, over the next few years, one of the best opportunities to put money to work.

Tom Mullooly: Now having said that, a lot of folks want to know, well should we be selling X and buying Y? Should we be changing this, ripping up the script? What should we be doing? One of the things that we talk about a lot with clients who are curious about this is you can get a lot of exposure to the total stock market by investing in just a couple of exchange traded funds. A large cap fund, like the S&P 500. That's not a made up name. There are 500 companies in that basket, and Standard & Poor's every year goes through and they reallocate or rebalance or reconstitute the companies from top to bottom of the list. You've got the small cap 600. There's another 600 companies that are in there. You've got the midcap 400. Between those three different indices, you've got 1500 companies, lots of diversification, and there's no overlap with that.

Tom Mullooly: Now the beauty behind that is that you don't have to go in and sell company X and replace it with company Y and do it in the right proportion in your account. In days gone by, that would also include trading costs, but it would also then trigger some capital gains or losses, some transactions. All of those things, whether you own them in a mutual fund or in an ETF, they're all happening beneath the surface, things that you don't have to get mixed up in. So a lot of times, you can own things that you're constantly getting invested in the top companies that are out there.

Tom Mullooly: Another way of looking at this that a lot of folks just totally missed. When I got started in the business 1983, the S&P 500, 20% of that, a little more, was in energy stocks. Energy stocks. Big companies like Microsoft, Microsoft hadn't even been created yet. They went public in 1986. So you look at this and say, "In the 1980s energy stocks, oil companies were the biggest piece, over 20% of the S&P 500. In the '90s, financial companies, banks and insurance companies became the largest sector in the S&P 500." Now we're at a point 20 years after that, where technology companies are now the biggest piece of the pie when it comes to the S&P 500. You didn't have to go in and say, "Gosh, should we be selling Exxon and buying Citibank? And then later replacing it with Microsoft?" You don't have to make these decisions. This happens automatically beneath the surface. That is one of the benefits that comes with following these indices, whether it's in a mutual fund or in an ETF.

Tom Mullooly: Quick lesson. What you should be doing in 2022, you should be investing because we're going to look back at this point in time and say, "You know what? I should have put more money to work in 2022 when the markets were really sloppy." That's all I'm going to say about that. Thanks for watching episode 302, and we'll catch you on the next one.