Casey Mullooly

We're always talking about the long term view. Well, on Episode 307, we talk about the short term.

Welcome back to the Mullooly Asset Show. I'm your host, Casey Mullooly back with you for Episode 307. So where should you park your short-term money? The answer to this question was a lot different this time last year than it is now. There wasn't really a good answer for this question last year. A lot of people came to us and wanted to know where can I get a 2%, 3%, 4% return on my dollars because I have all this money at the bank and it's earning nothing for me. There wasn't really a good answer. Some people in the industry recommended paying down your mortgage. If you had a three or 4% mortgage, you could at least save that on the interest. Some people thought that the stock market only went up at this time last year. And if you invested short term dollars, you could just pull the money out when you need it.

It's going to be worth more. And your money's definitely still going to be there, right? We've learned that lesson the hard way this year. So far here in 2022, but now there's actually a good answer to that question although folks probably don't want to hear it now. Short term interest rates are anywhere from three to three and a half percent right now. And there's even online savings accounts like Marcus and Ally that are paying close to 2% for your money just to park it there in cash. There was an article from the wall street journal, which will link to in the show notes out this week, that was talking about how it actually might pay now not to pay off your mortgage like they were recommending people do last year at this time, the thought process behind it is let's say you have a $100,000 and you can either pay down your mortgage or invest it in short term bonds.

Your mortgage is 3% short term bonds are three point a half percent. It's clear from a return on investment standpoint that investing that money in bonds would get you a better return on your money. We think that making a decision of whether or not to pay off your mortgage based on what interest rates are doing and what short term bonds are paying is not really all you want to be basing that decision off of it depends on your temperament. It depends on how you view debt. It depends on your other expenses. It depends on how much money you have invested, what your withdrawal rate is from your portfolio. There's a lot that factors into that decision and myopically focusing on what short term interest rates are doing probably is going to drive you crazy. Because like I said, this time last year, the answer was completely different.

Which me brings me to my point being that there are always trade offs happening when it comes to investing or saving your money. Last year, the trade off was you had to take on more risk to earn any return. This year, you're getting compensated for not taking that risk, but inflation is eating away at that cash. And the money that you have invested in the stock market has probably decreased in value due to the stock market's performance this year, there's always going to be trade offs happening when it comes to where you put your dollars. And when you try and do too much with your money, whether that's squeezing some return out of your short term dollars, or de-risking your long term dollars, when you try and get too cute with it usually ends up costing you somehow.

So that is the message for Episode 307 of the Mullooly Assets Show. Keep it simple line up your short term needs with your short-term assets and your long-term dollars with your long-term assets. It really is that simple, or it can be that simple if you like. Thanks for watching, we'll be back with you next week.