Tom Mullooly: In episode 266, we talk about who are the panic sellers when the markets are falling apart? Stick around.

Tom Mullooly: Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly and this is episode number 266. Thanks for tuning in. Who are these sellers? Who are these panic sellers when the markets are falling apart? There was a study done by Massachusetts Institute of Technology, MIT, and they wrote a report that said investors and I'm using the air quotes because I don't believe these people are investors anyway, but investors who are male, age 45 or more, that are married or consider themselves to be having excellent investment experience, these are according to the report at MIT, these are the people who are most likely to freak out when the market is falling apart.

Tom Mullooly: MIT studied 650,000 brokerage accounts owned by 298,000 individuals. But wait, I'm kind of skeptical when it comes to these sort of reports. Here's why when you dig into it. First of all, most people read the headline and they say, "Oh yeah, I agree with that," and they just move on. But researchers dug into the details and I had to read this report. What they said is we define a panic sale as a plunge of 90% of a household's assets over the course of one month. Now, hang on there. 90% loss in less than a month? That's a wipe out. What's left now is a lottery ticket. They also in the report, included specific types of investors, such as people who had $20,000 or less in a brokerage account tend to liquidate more often. Of course, they're going to.

Tom Mullooly: Just think about this, these folks that they found for the study had five grand, 10 grand. They plunked them into a brokerage account because they got a tip from their buddy or it's a penny stock and it was a wipe out so of course that's not really an investment, that's a trade. And so that's why I began this video by talking about investors. It seems like when you turn on CNBC or Bloomberg or read reports like this, they always talk to people in the market as investors but there are a lot of people who are simply trading and that's okay. There's nothing wrong with that. But that kind of puts a bad mark on investing.

Tom Mullooly: Oh, I'll tell you what I would prefer to see is a study of investors, not traders, who are working with an advisor because I can tell you very, very informally without any kind of hard data, that when markets have been falling apart in recent times, we see folks at Vanguard and peers in our business, people that we know are saying, "Hey, you know what? Our phones just aren't ringing. Our clients aren't flipping out like this report would indicate."

Tom Mullooly: There's an old saying that 80% of drivers all think they're above average drivers. That can't possibly be true, yet 90% of car accidents are caused by human error. You can apply the very same approach toward investing. Most people think that they're above average when it comes to investing and they'll be able to get out before things get really rough or really bad but that's not how investing works. You've got to let the market do its thing. There's going to be times when the market is falling apart. When we talk to our clients about what kind of historical returns and what kind of projected returns are out there, we bake into the cake bad markets or sideways markets. That's all in there and that's okay. I think what a better report would be, would be to see how individual investors do with or without an advisor who's basically a coach. We do a lot of on the spot coaching, especially when markets are falling apart. It's important to have a game plan when you go into this so you're not freaking out when your whole screen is full of red numbers.

Tom Mullooly: Anyway, you've got to hang in there. Bad markets are part of the investing game. That's the message for episode 266. Thanks again for tuning in.