

Why A Portfolio Isn't A Plan - Transcript

Tim Mullooly: In episode 58, I step out from behind the camera. Welcome the Mullooly Asset Show. I'm your fill-in host for today, Tim Mullooly. You guys might know my voice from asking the questions in previous videos. I'm usually behind the camera, but today Tom is out so I'm going to fill in and answer the question as best as I can.

A little bit about me. I graduated from York College of Pennsylvania back in 2014. So I've been here at Mullooly Asset Management for three years now. I'm a licensed investment advisor here. I help the team manage people's account on a day-to-day basis. I also help run a lot of our social media activities, our Facebook page, Twitter page, LinkedIn, these videos, the podcasts, our blog posts. So if you see any of those things floating around on the Internet, I probably had something to do with it. But enough about me, let's answer today's question.

Brendan, what are we going to be talking about today?

Brendan: Why do I need a financial plan if I already have an investment portfolio?

Tim Mullooly: That's a great question and one we get a lot from our clients actually. If you have just an investment portfolio, and it's not part of a greater financial plan, we like to think that you're putting the cart before the horse. An investment portfolio, in our opinion, should be part of a larger financial plan, just one piece of the pie. If you don't and you just an investment portfolio, it becomes easier to second-guess because then you're looking at your friend and he's making 10% when you're only making 8%; or you're looking at the S&P 500 and it was up 20, 30 points today, and your account wasn't up as much.

But if it's part of a larger financial plan, it doesn't really matter what your account is doing on a day-to-day basis, as long as the investments in your account are getting you towards that end goal of the financial plan long down the road. So those day-to-day moves in the account aren't going to matter as much. It's going to give your investments more of a purpose because it's helping you achieve a goal for your life way down the road, and as opposed to just worrying about the day-to-day fluctuations in the market.

If you don't have a financial plan, we think that people are more likely to engage in what we call "strategy hopping", which is just kind of picking the hot strategy of the week or the quarter, and moving their money into what's doing better today, or what's doing better next week. Brendan always likes to say an investment portfolio is like a wet bar of soap. The more you touch it, the quicker it's going to disappear. So if you have your investment portfolio within a larger financial plan that's geared towards the long term, you're not going to want to touch it as much because you're going to want to let the

investments grown and move towards that end goal, as opposed to worrying about the day-to-day fluctuations in the market.

That's a great question. Tom will probably be back on the next video, but I had fun filling in for him in the time being. Thanks for watching episode 58, and we will see you on episode 59.

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