Thomas: In this video we're going to talk about how much should you be taking out of a retirement account each year, we're going to talk about what's wrong with oil, and are we on the verge of another recession?

Welcome to the Mullooly Asset Show, this is episode number 5, I remembered, I could count to 5, I did it right this week. Anyway, we get our questions that we cover in these videos from clients who we have conversations with on the phone, or by email, we get questions from you through social media or email. Bring us your questions, they are great topics. If you're thinking about it, we're pretty sure other people are thinking about it too, so there's no such thing as a dumb question. Casey's got some boffo questions lined up for us this week, shortened week, because it's Christmas, hope everybody's got their shopping done. Casey, what do you got for us? Lay it on us.

Casey: First question we got is, what's a safe amount to plan on taking from my retirement account next year?

Thomas: The short answer, 3%. That's it. 3%. There's a lot of financial planners out there who are trying to find some crazy number between 4 and 5%. We actually had a new client come in and speak with us recently, he's got 600,000 dollars that he's rolling over from a retirement plan, and meeting was going along swimmingly until he said, "Okay, with this 600,000 dollars, I want to take out 4,000 dollars a month." I wound up putting my pen down because it was pretty much the end of the meeting.

Just follow me with some simple math, if you're taking out 4,000 dollars a month, that's 48 grand a year on a 600,000 dollar account. I did the math before we turned the camera on, so I can tell you, that's 8%, that's way too high. Now, let's just follow this along, suppose we take that 48,000 and pay it out in the first year, and say his account grows at 5%, if we're taking out 4,000 a month, now we're taking out 8 and a quarter percent, and if we do that another year it's going to be 8.6%, we're taking out a bigger and bigger chunk every year by taking out a fixed dollar amount.

Now, say we do this for a couple of years, and we know that we're draining the account, and then a bad market comes along and we lose 10 or 15% on top of all of these withdrawals. Client's going to be in a world of hurt, and this is why it's really important for advisors to be straight with their clients, but it's also important for advisors to have that conversation up front with their clients that want to take out these gigantic amounts, it's way too big to take out those kind of dollar amounts. We try and steer our clients down to a number like 3% a year. It's a little bit of a wake-up call, we like to have that conversation well before clients retire, just because we want them to know, hey, you got to step on the gas and really start socking more money away the closer you get to retirement, you need more than you think.

Casey, what's up? What's next?

Casey: Next question is, crude oil just broke through 40 dollars a barrel, do you think this is the bottom for oil prices? What do the charts say?

Thomas: Okay, we get this question a lot. In our videos, when I hear a question I usually say, "Boy, we get that question a lot." We do, that's because we're getting these questions from you, so keep them coming. But, crude oil, we're not in the predicting business, but I can tell you right now that when you look at the chart for crude oil, it's in a negative trend, and one of the things that we say over and over around here in the office, is that we just want to avoid charts that are in negative trends.

What's a negative trend? The two main lines that you're going to see on a point and figure chart, is your support line, and your overhead resistance line. They both act like brick walls, when that support line gets broken, you've now changed the direction of the chart from being in a positive or upward trend, to something that's now in a negative trend. Crude oil broke their support line at, I think it was July or August last year, not this year, last year. Crude oil was trading at almost 100 dollars, it was trading at around 98 dollars when it broke support. I know that the question said, "Hey, crude oil just broke 40." Guess what? It's at 35.

Is it going lower? I don't know. Is it going higher? Don't know that either. Is this the bottom? Don't know that either. The great thing about these charts is that they tell us what's in demand, and what's in supply, and right now, right now, in December of 2015 it looks like supply is still in command of this chart, because it's still in a negative trend, it's still going down. We don't like to mess around with stuff that's in negative trends. When clients call us and want our opinion on things like this, that's the first thing we talk about is, hey, this thing's in a negative trend, bad things tend to happen to charts that are in negative trends, isn't there something else that we can talk about? Something else a little more positive? Maybe something in a positive trend.

I just think that people are trying to pick the bottom like the question asked. I heard a story this morning on Bloomberg news, they said that in the last 18 months, 24 billion dollars has been spent trying to pick the bottom. In oil, 12 billion dollars has gone into oil stocks, in terms of ETFs, and another 12 billion has gone into ETFs that track oil futures, the actual oil price itself. You've got professionals and individuals both trying to pick the bottom in something, here's a clue, just stay away from things that are in negative trends, sometimes not being in these disasters, these things in negative trends, will improve your performance immeasurably just because you're staying out of where the bombs are, where the land mines are. Staying out of negative trends is really one of the first rules that we try to adhere to.

I also heard about, I forget the name, but it's a leveraged, 3 times leveraged crude oil ETN that came out in the last year. Now, an ETN, exchange traded note, is different from an exchange traded fund, but it had raised the most money for any leveraged fund this year, and it's down 98% for the year. 98%, almost a complete wipe out, but not totally. You got to be really careful about these things, I would wait for a bottom to be put in place, wait for something to get going in a negative trend before we commit any kind of money, otherwise we're really just speculating, it's just gambling.

Casey, please give us another question we can talk about.

Casey: Question 3 is, a buddy of mine said now that the Fed raised interest rates last week, it'll slow down the economy and eventually get us into recession, is that true?

Thomas: I don't want to be a wise guy, but I'm just going to throw the question back at you Casey since you're here reading it to me. The Fed took interest rates all the way down to 0 for 7 years, form 2008 through last week. They did that in an effort to get the economy moving. Do you think they want a recession? Probably not. Their probably going to do everything in their power to make sure that the economy doesn't slip back into a recession again. But they had to get rates above 0, and they were on 0 for way too long, and it doesn't give them any kind of flexibility if the economy does slow down at some point in the next couple of years, so they had to get above 0, I don't think a quarter point of rate hike is really going to change anybody's life.

What I think a lot of people are nervous about is in the past, the Fed has had history of quarter point, followed by a quarter point, quarter point, quarter point, from 2004 through 2006 they raised rates 17 times at 17 straight meetings. People are a little worried about that, I get it. But the Fed is super concerned about making sure that the economy doesn't slip back into a recession, so I think the recession fears can probably be put to bed for awhile, but I've also noticed something else, and maybe you have too, in comments that Bernanke said when he was wrapping up his term at the Fed, and since he's left, and what Yellen has also said on a couple of occasions, is that as far as monetary policy, they're doing everything they can, and they really have.

But, it's really now becoming a matter of fiscal policy. We know that the Fed controls monetary policy, who controls fiscal policy? That's right, congress. This really is a question of, if you want to get the economy moving, you may want to think about changing some of the tax rates that people are paying. I'm not running for office, so I'm not making any kind of political stand, but that's what people at the Fed have been kind of hinting at, that you could really help to spring the economy forward if you did a little something about taxes that people are paying. They're doing everything they can on the monetary side, it's the fiscal side that may need a little more tweaking. We'll see what happens with that.

But again, a great set of questions, thank you Casey for being an excellent reader today, those were great, great questions, I think that's going to wrap up episode cinco. Next up is going to be Willy May seis, number 6. Thanks again for watching, don't forget to hit subscribe if you're watching this on YouTube, just hit that red button down there where it says subscribe, thanks again, and we'll see you on the next video.