Tom: In this episode, we're going to talk a little bit about the history behind The Big Short. We're going to talk about Seinfeld and a show about nothing. We're going to talk about how you can save money and go from "zero to hero."

Welcome to the Mullooly Asset Show. I'm your host Tom Mullooly. This is episode #7 and I think this is also Take #7. We appreciate you watching and subscribing to our show. The questions, the topics that we walk about, come from you; they come from questions that we get from our clients; they come from emails; they come from topics that we're talking about with our clients. If you have a question, do get in touch with us. We'd be happy to bring it up on a future show. Let's just dive right into the questions. Casey? What's first today?

Casey: All right. The first question we got is: What happened with The Big Short? How could a few bad mortgages take down Wall Street?

Tom: I don't really know if I'm going to be able to summarize a 30 year history of mortgage bond trading in a short video. I'll do the best I can. About 30 years ago, Wall Street figured out a way to take mortgage loans, mortgage investments, and turn them into, or securitize them into bonds. Bond trading over the last 30 years has because a huge area of revenue for banks and Wall Street firms. As the trading volume continued, this started going into more and more riskier, less high-quality stuff.

Along the way, companies like AIG, the insurance company, created these things called credit-default swaps. They were basically like an insurance policy on bond portfolios. When AIG discovered about 10 years ago that the asset quality behind the bonds wasn't that good, they decided they weren't going to issue any more credit-default swaps. That's okay. Wall Street firms continued to trade ,and then created their own market for credit-default swaps, even without AIG.

You can imagine, just like ... Casey, what's the name of that game ... Jenga! Casey, we got to get a picture of Jenga; put it right up here. Imagine Jenga. We're building this big pile of sticks. What happens when we get a couple of bad mortgages down here at the bottom? You start pulling out little sticks. What's going to happen to the whole thing? It's going to collapse. We saw the mortgage companies fall apart at the beginning of 2007. We saw Bear Sterns fall apart. Later on, Lehman Brothers after that. Then it just became a huge colossal mess. It really wasn't just a couple of bad mortgages that took down all of Wall Street, but that certainly was part of the trigger. That was really a big deal.

The Big Short; great movie; better book. There's also another movie. I haven't seen it on too often, but it was on HBO called Too Big To Fail. All the political reasoning aside, that was actually a pretty good movie. They did a good job in setting up what happened in September of 2008. Pretty good references; good question! I wish we had more time to talk about that. Casey's bugging me because we got to get to the next question. What is it?

Casey: Next up, we got someone who wants to know: What did you mean that 2015 is a Seinfeld year?

Tom: I wrote in an email to clients recently that 2015 is going to be the Seinfeld year. If you remember, if you watched Seinfeld, they used to laugh and say that is was a show about nothing. It was just people, a couple of friends, hanging out; and what they did on a regular day. That was what the show was about; it was really about nothing. 2015 looks like it's going to wrap up the year with a "nothing" kind of return.

It's interesting. January 2nd, the first day of trading in 2015, the S & P 500 was at 2058. We're recording this on December 29th. There's now two days left in the year. The S & P 500 is at 2078. That's just 20 points ... That's less than 1%. Yesterday, the market for the year was down 1/10th of 1%. Today, it's up 9/10ths of 1%. The Dow Jones is pretty close. The Dow Jones is down about 105 points for the year. That's down about 1/2 of 1%. 2015 has been a year about nothing; it's been a year of no returns if you're an index investor. It's a good way to think about it.

Occasionally, we do get these years where nothing really happens. Everybody in the market will probably remember 2008 as being a terrible year; 2009 as a very good year; 2010 was also okay. 2011 came along. Again, we had a year about nothing. Same kind of situation as what we're going through right now. The gain or the loss for the year all happened in the last couple of trading sessions of the year. We went back and forth at one point. 2011, the market was down 20%. We had a pretty furious rally in the fourth quarter, but we finished the year flat. Again, another year about nothing. Then we had a couple of good years; and here we are. Another year about nothing. Hopefully that clears up your question about the Seinfeld year, 2015. Casey, what's next?

Casey: Next question we got is: I'm just getting started. How can I save 20,000 dollars?

Tom: You know, we have clients, when we finally get down to brass tacks, and we talk about real life money situations, they admit, "We're not really good at saving money. We're not really good at putting money away. I'm borrowing money from my parents for a down payment. I'm trying to figure out a way to just get my hands on some extra money." I just want to walk you through how to go from "zero to hero" in a relatively short period of time.

We had a conversation with someone recently and they were like, "I need to save $20,000. That was their goal. That's what they had in mind, but they had no idea how to get to it. I was like, "Okay. What do you want to start with?" "Well, I've got $2000 today." Okay. Here's how we do it real easy. What do you spend on lunch every day?" He said, "Eight, Nine, sometimes ten bucks on lunch." I said, "Okay. Here's what you do. $2000; put it away right now. If you can sock $10 away every day, that's 30 days in a month, that's $300 a month." If you can find a way to set aside 300 a month, in sixty months do the math that's $18,000 plus the two you started with; now you're at $20,000.

People say, "Five years! I can't wait that long!" You know what? Yes. you can. It's hard for me to tell you ... If you're sitting there watching this video and you don't have any savings, it's hard for me to explain to you the feeling that's inside of you when you've got $10,000, $15,000, $20,000 sitting in the bank and someone says, "We're putting together a group of us and we're going to go to Cabo. In the spring, we're going to go away for spring break." It's going to cost you $2500. You've worked really hard to save that money. Now you're going to start to think, "Hey, do I really want to blow seven or eight months of my savings for a week?" Sure, it would be a lot of fun, but the point I'm trying to make is it changes your mindset about what you spend money on.

From the flip side, when you have something we alluded to on an earlier episode was: You got to have that safety net. When you've got $10,000, $15,000, $20,000 socked away, and you have some kind of minor emergency and you need to put your hands on $2000 or $2500, it's not a deal breaker. It's not something that's going to put you behind the eight ball. Having a little bit of money behind you really does change your thinking. It changes your mindset. That's really, really important. You may not reach your goal, but just starting the practice of putting money away on a monthly basis is going to be so rewarding for you.

One of the best pieces of advice I ever got was from a buddy of mine in the Navy. I had told him ... This goes back 25 years ago and I had said, "Oh! I just finished paying off my car." He goes, "Okay. I'm going to give you a little advice. Take that $346.50 and send it to me." I was like, "What are you talking about? He's like, "Put it in the bank. Get it out of your hands. Continue to make that car payment, even though you paid off the car, continue to make that payment every single month. You're going to be surprised. In three or four years, you're going to have a car that you want to trade-in, plus you're going to have all that money saved for a new car." It was really good advice and I'm glad I listened to him. Thanks, Fred!

I try and share that with young clients and people just starting out. Do whatever you can to save money. Take care of yourself and pay yourself. That's all we've got for today. Thanks again for watching. Make sure to hit that subscribe button if you're watching on YouTube; or send us an email; or hey, find us out on Twitter. Okay. Thanks again. We'll see you on the next episode.