

Tom: In this episode, we're going to talk about a trip to the emergency room, financial shocks, and a new tax, an old tax, on the poor.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly. This is Episode Wayne Garrett, Episode 11, if you're a Met fan. We're talking about Wayne Garrett, we're talking about Ruben Tejada. We'll try to find a few other famous 11s for you. I can't wait until we get to Episode 14 because that's a retired number. That's Gil Hodges.

Anyway, we're recording today and we use the questions and conversations and topics that we're discussing with clients and friends in the business, people who want more information about investing, about financial planning, about managing money in general. That's where we get our content from, so if you've got a question that you'd like to see answered on here, get in touch with us. It'll probably wind up in a future video.

I don't know what we're going to do once we get past the 40s or maybe the low 50s per episodes because we're going to run out of Met uniforms. Casey, what do you think? We can probably pop in a few Giants. I don't know. We'll have to come up with something like that.

Anyway, Casey reads the questions, I answer them for you, so Casey, let's get going.

Casey: "We just got hit with a surprise emergency room bill. Do you think I should sell some of my stocks to cover it?"

Tom: You wouldn't think a trip to the emergency room would really be a catastrophe financially. Of course, a trip to the emergency room could really be a disaster for you or for your family, but money-wise, hopefully it's not something that upsets the apple cart, but guess what, it does.

A study that Bankrate.com put out last month, December of 2015, of the people that they surveyed, 63% of the respondents to the survey said that they couldn't handle a \$1,000 emergency room bill. Think about that. If you've got kids, stuff happens all the time, and the cost isn't getting any cheaper. A trip to the emergency room can be, if you're a football player on the Giants, something that could be really bad. If you're just a normal American, stuff happens. You have to be prepared for these things.

They also said that in addition to not being able to handle a \$1,000 emergency room bill, it gets worse, they said most of them wouldn't be able to handle a surprise \$500 car repair bill. Now, let's think about this. What costs \$500 on a car? Brakes? Four tires? There's some pretty basic things that you're going to need with your car that with labor could wind up costing you \$500.

We talk all the time with our clients about having some kind of safety net. You need to have this before you begin putting money into long-term investments. The analogy I use is you wouldn't go outside and plant bushes and then a month later rip them up because

you need the space for something else. Same thing with your investments. You wouldn't be putting money away long-term and then six weeks from now need them because something suddenly came up.

You really need to have that emergency fund, that nest egg, set aside for things, because things just happen and they happen every single month. We do spend time on these videos, we spend time talking with our clients about what are you doing in terms of having money in the bank at all times. Have that safety net. It's really important.

Casey, what's next?

Casey: "What are the chances that I'm going to have a financial shock this year? I'd rather keep my money invested for the long term."

Tom: What's an example of a financial shock? Hopefully it's not a \$500 car repair bill, but for some families it is. It could be a trip to the emergency room or a long stay in a hospital. If you know someone that's been in a hospital for more than three or four days, talk to them about the bills. They're outrageous! Going for a CAT scan today, it's thousands of dollars. Not everybody's walking around with healthcare. Unfortunately, there's a lot of people driving around without car insurance, either. That should scare everybody.

What I want to go back to, when we talk about financial shocks, is there was another survey. Pew Charitable Trusts, they had a survey in November of 2015, not too long ago, and they found that 59% of the people surveyed reported at least one financial shock in the previous 12 months. We talk about these financial shocks, losing your job, that's a huge financial shock, or someone in your family getting disabled, hurt, out of work for a while. Things happen.

This ties in very nicely with the first question that Casey asked about having money set aside as a nest egg, as that rainy day fund, that emergency stash of cash. It really is very important. You've got to have at least a couple of months of expenses set aside before you can even think about investing.

All right. Casey, what do you got next?

Casey: "Hey Tom, I'm curious, did you buy any Powerball tickets?"

Tom: Big Powerball drawing tonight. It's now up to \$1.4 billion. I've read online that the tax, if you take the lump sum payment, the tax on one winning ticket could be \$400 million, and I think it would get you on some of those magazine lists like the Forbes list and things like that.

It's got to be a long shot, right? I don't play the lottery. My dad told me a long time ago never to get mixed up with that. There's a lot of things online, if you look you'll see these articles that say the lottery is a tax on the poor. In fact, there's a couple of articles that go on and say it's the perfect tax because it's a tax on the poor disguised as a game. That's a really scary, don't you think?

Here's the goofy part. Thirty years ago, the lottery was established in just 14 states in the United States. There's now lottery in almost every single state except Alaska, Hawaii, Utah, Alabama, and get this, the last two states that they don't have lotteries, Mississippi and Nevada. Mississippi has those casinos. I think Nevada has a few casinos, too. Isn't that interesting that they have not permitted the lottery in the state of Nevada? Hey, interesting tip: Which state in the United States has the most casinos? It's not Nevada. Pennsylvania. I bet you didn't know that.

The sad part is that when you look at these studies, and it was a great article in The Atlantic Magazine about a year ago on this, it showed that the poorest one-third of Americans buy a little more than half of all lottery tickets. This is the part that's really scary: Through 2014, there was \$70 billion spent on lottery tickets in the United States.

Now, Casey, give me that piece of paper so I can read that. I wanted to just read this to you. Seventy billion dollars on lotteries, that's more than people spend on sports, on books, on games, on movies, and on music, combined. Think about how much money Apple's made selling music online, Pandora, Spotify, all these things. That's \$6 billion a year in 2014. We're spending \$70 billion on the lottery. What are the chances of us winning? Really, we've got a better chance of being struck by lightning.

When you break down the numbers, \$70 billion works out to \$20 a month for every man, woman and child in the United States. Just think about this. If you're thinking about playing the lottery and you're a typical American, you're spending \$20 a month for every person in your home on the lottery. If you've got a family of five, you're spending 100 bucks a month. That's 1,200 bucks a year on lottery tickets.

You could take that 1,200 bucks, I'm not exactly sure of the airfare, but from here in New Jersey, you could go down to Florida for a couple of days. I don't know about you. I think I have a better time than ripping up some lottery tickets. We talk about things like investing and managing money and preparing for the future. This is unfortunately a way that money slips through the cracks is with things like lottery, so be careful.

If you've got questions that you'd like to see discussed on these videos, get in touch with us. You can catch up with us on Twitter or email us or, for goodness' sakes, just call the office.

Anyway, thanks again for watching. This has been Episode Number 11. Don't forget to subscribe down here. Now, who's going to be Number 12, Episode 12? John Stearns is one guy I can think of. We'll come up with some other Mets for the next episode. We'll see you on that one. Thanks for watching.