Tom: In this episode, we're going to talk about prices at the pump. We're going to talk about getting your stock news online. And doing the 401(k) freak.

Welcome to the Mullooly Asset Show, I'm your host Tom Mullooly and this is Fonzie, episode 13, Edgardo Alfonzo. The questions that we cover, the topics that we cover in these videos come from you. They come from discussions that we have with our clients. People calling up, there's another one right there, people calling up asking questions about the market. That's where we get our content. If you're thinking about something that maybe, has got you a little worried about the market or something that's going on that you really want to know about, whether it's financial planning, investment advice, or what's happening in the market, get in touch with us. We're probably going to cover it in a future video, you never know. The format here is Casey reads the questions behind the mic and then I'm going to answer them as best I can. Keep those questions rolling in. Casey, what's the first question today?

Casey: Oil prices are all everyone is talking about. But aren't lower oil prices good?

Tom: Lower oil prices good? They're good and they're bad. They're good in a sense that it's going to save you money at the pump. There were a lot of Wall Street strategists, over the last two years, who said, "This is going to be one of the greatest tax cuts to the American People." I'm not so sure. Just follow me with a little bit of math. If you drive a car, and it's got a 16 gallon tank, and say you fill that up once a week. That's a lot of driving, but say you fill it up once a week. If gasoline goes from $4 a gallon down to $2 a gallon, it's a little less right now, but if it goes from 4 down to 2, you're going to save roughly, almost $1700 a year. The math is $1664 a year. That's nice. It works out to be about $138 a month.

Now, I don't know about you, I'm not going to take that $138 to go to the mall and spend money. First of all, I only go to the mall when it's December 23, anyway. I don't know if its really something that's going to make me change my spending habits and make me spend more on clothes. I mean, how many more ties can I get? I don't necessarily know that that's something that's really helped sparked the economy. Lower gas prices, always good.

What's the bad side of lower oil prices? Since the recession in 2008, one area that's really created a lot of jobs has been in the energy field, in particular, with fracking. We're seeing states, like up in the Dakotas, the unemployment rate was really low because they were creating tops of jobs. A lot of them related to fracking, this hydraulic fracturing, going on. Fracking costs money and their break-even, depending on where you're getting your information, I've seen break-even for getting fracking out of the ground, oil out of the ground, was $50 a barrel, $60 a barrel. Oil is now under $30 a barrel or trading around $30.

I can't believe it would be that profitable for companies to continue to do that. That's one of the reasons why we still have a glut of oil on the market right now. These producers continue to produce. If we get to a point where oil prices remain low for a long period of time, we could see a lot of jobs getting lost. Lower oil prices, good because there's more money in your pocket, bad because it could really actually hurt the economy. Okay, Casey, what do you got for us next?

Casey: I read online that a big oil company is in trouble or may in trouble. Can we talk about it?

Tom: Sure we can talk about it. Of course we can. That's why we encourage people to call us with your questions. We'd be happy to answer whatever kind of questions you've got. I'm going to talk about a company, it's not a recommendation to buy or sell it, but I'm going to talk about a company that's been in the news the last couple of weeks, just to show you how these stories spin out of control. I think the internet has a lot to do with this and the fact that there's too many people holding microphones and not enough news to report. They all talk about the other stories.

Chevron, great company. Great American company. Chevron is, for 2016, the consensus earnings estimate is about $2.50 a share, something like that. The low estimate on the street is a profit of just 8 cents a share for the whole year. The high estimate on the street is $4.25 a share in earnings. The consensus works out to be about $2.50 a share, when you get down to an average number. $2.50 a share, they pay over $4 a share in dividends, that makes people freaky, that makes them really nervous.

Hold cow, how can they pay out over $4 a share in dividends, they're not even earning their dividend. That's crazy, that's insane. How can they do that? Chevron's been paying a dividend for a long time. In fact, they've paid a dividend for at least 28 years, that I know of, and I'm sure that they've paid a lot longer than that. Here's the other thing, when you finally step back from the ledge and look at Chevron as a company, they've got $13 billion in cash, well, they did at the end of, a couple of weeks ago, at the end of 2015. They also had long ago, planned asset sales in the billions, scheduled to close in 2016.

The point I'm trying to get to is, there's a problem right now, going on, with investing in general. Is that there's too much information that's out there and on a slow news day, people are looking for things to talk about. They'll take something like, "You know, Chevron's not even going to earn their dividend this year," and that becomes a huge story. It puts pressure on a stock, on what may or not be, a perfectly okay story is now spinning out of control because someone's got to write something. They've got a deadline and they've got to meet it.

That leads me on to another soap box. If you think about when the iPhone was created, that was 2007, apps really started taking off at that point. More and more people have, in the last three or four years, started looking at their investments right on their phone, in the palm of their hand. They can see up, down, what's going on in the market, what's happening in their account. They can tell their net worth, right up to the moment. They can check their 401(k). Think about the last couple of years. The market has, with a few breaks, the market's gone up. Not too many people have seen down markets.

I just wonder if people are a little too quick on the trigger to make transactions in their

401(k) and their investment account because they read a headline on the phone or they get a news flash or some kind of alert on their phone about something going on and they immediately hit the sell button. It's too easy, sometimes, to flip around your supposedly long term investments. Now you can do it on a phone. It shouldn't be that easy. It shouldn't be that way because you're going to make impulse decisions driven by emotion, bad idea. I know that wasn't the gist of the original question, but in a sense, it really was. The original question was, "I read online about some potentially bad news about a stock, can we talk about it?" You got to really temper what you're reading online. All right Case, what do you got that's next?

Casey: I almost got sick looking at my 401(k). Do you think it's hopeless?

Tom: Okay, question seemed funny, but it's not. I want to first tell everybody that's watching this, it's not hopeless. It's definitely not hopeless. I'm going to repeat something that I said in an earlier video though, markets can fall 5% at any time, for any reason, or for no reason at all. In fact, a pot of ink gets spilled on people trying to find reasons why markets go up and down. Don't even waste your time trying to figure that out. The other thing that you need to know, and again, this is courtesy of our friends at Dorsey-Wright, is that the market pulls back 10% on average, once a year. Now, that's not just the last few years. That goes back to the 1920s.

There have been 92 times, Casey, this might be number 93, but the fact that I know, it's written in stone. 92 times, the last 86 years, I got it right on this video, 92 times, 86 years, the market has fallen by 10%. And we're all still living and breathing, okay? We send out a survey to our clients, we send it out every year. We have a little series of questions because we want to take everybody's temperature. Suppose you had an account that was $300,000, and the market falls by 5%. Then we put it in dollar terms, that's $15,000. How would you feel? We ask people that because we want to know. The next question is, suppose the market falls 10% and now your $300,000 account show a loss of $30,000. How would you feel? Again, we want to take people's temperature and gauge how they feel about risk and their risk tolerance regarding investments.

We don't ask that question just because we want to fill up the sheet. 10% pull backs happen and I can tell you that they will happen. It shouldn't change your approach to investing. That's really important because it's easy to check off a box on a piece of paper and say, "Yeah, no problem. It's not going to worry me." But then, once that holy cow moment, when you go online, and check your account, every day, which I don't recommend you do, or you open your statement and you see a loss of $30,000 in your account. How are you going to feel? That's really important.

We do get calls and messages from clients who are like, "I can't take this anymore." We need to have a conversation with those clients about how much risk are they going to take because everybody wants all the upside, that's pretty simple. When the market's going up, I want to be in. When the market's going down, it's like, "Holy cow, get me out of this thing." It can't work both ways. We need to have a discussion about risk. That's something, if you're not working with an advisor, it's really hard to do on your own. That's why I really don't like the idea that people can trade their investment accounts right on their phone or move around their 401(k) on an iPad, or make it super easy to make changes. You're going to over trade your account. I just ... That's one thing about technology I'm not a real big fan of. That's what we've got for you today.

Thanks for these questions because they were great. Tomorrow, the next episode is going to be episode 14, the Gil Hodges episode. We appreciate you watching. By the way, if you're watching on YouTube, right down here, that red button, subscribe, hit subscribe and tell your friends. Thanks for watching. See you on the next one.