

Tom: In episode 17 we're going to be hauling the mail.

Welcome to the Mullooly Asset Show. I'm your host Tom Mullooly. This is episode number 17, the Mex, Keith Hernandez. How come they haven't retired his number yet? And the answer to the trivia question, Rick Ownbey. Who was he traded for in 1983? The Mets got Keith Hernandez and they gave up Neil Allen, the relief pitcher who had been coughing up home run after home run the week before that, and Rick Ownbey who was this supposedly rising star in their minor league system. Not so much.

Thanks Mex for all the great memories and keep up the great work in the booth. So the format for these episodes is: Casey reads the questions that we get from our clients, our subscribers and then I'm going to try my best to answer them in straight English for everybody. So Casey, hit me with the first fast ball.

Speaker 2: I'm planning on moving soon. I want to make sure my statements don't wind up in the wrong hands. How can I do this?

Tom: This is why I said at the outset that this episode is about hauling the mail. What should happen is, when you know you're moving, contact your advisor and say, "Hey in two weeks we're moving. Here's our new address." Then what the advisor ought to do is send out a change of address form or, at least, a letter of authorization saying, "Hey I'm your client and I'm moving from point A to point B effective on a certain date."

Contacting your advisor is probably one of the last things on your list when you're moving. TD Ameritrade came up with something that I thought was really pretty clever. They have worked their account system in with the US postal service so that when they send out a statement to a client or a trade confirmation to a client and it comes back with one of those little yellow stickers, you know the one I'm talking about, right at the bottom of the envelope and it's got the new address, they go right ahead and they update their records. Sometimes they let us know. Sometimes we have to find out. "Hey the client moved. We didn't even know."

What they also do when they get that yellow sticker is they restrict your account. This is really important because the question was "How do I make sure that my statements, you know, my stuff doesn't wind up in the wrong hands?" If you've ever moved, you know that you could go back to your old address and six months from now you're going to find stuff. And you're like, "Wow. I can't believe this never got forwarded."

We moved our office last June and we're still getting stuff with yellow stickers on them and somethings aren't even being forwarded anymore. The beauty of what some brokerage firms are doing, TD Ameritrade is one of them, is if they get an envelop back saying, "Hey you mailed this statement out. It didn't get delivered. Here's the new address," they automatically restrict your account. So that means, when an account is restricted, no purchases, no sales, no money can go out of the account and, you know, it's a little bit of speed bump for us especially if we need to make a move in the market but very important for clients to know that their account is locked down and protected.

It's not going to fall in the wrong hands.

That's an absolutely great question and something that, I think, more investors ought to know. It's for their protection. It's a good question.

All right Case, what's next?

Speaker 2: I'm starting to get more and more of these letters in the mail to do transfer balances. Should I think about doing this?

Tom: In my opinion, the real answer to that is no. So we can turn the camera off now. I'm just kidding. The real story is if you're making the payments, the interest rate really shouldn't matter. And that probably flies in the face of personal finance experts and all kinds of folks who will tell you, "Always look to refinance your debt at a lower rate."

Debt in general is not a good thing. Sometimes you need it because you want to expand your business or you're doing something. So, yeah, sometimes you do need debt but, in general, personal debt like credit cards and things like that, they're just so not worth it.

It's interesting how, after 2008, like in 2009 and 10 there was no credit to be had no matter what. Now we're getting these solicitations in the mail. I mean ... I get one of these every two weeks from Bank of America. I don't even have a balance with them but they want us to transfer other balances to them. I just don't see the benefit in something like that.

We got this one the other day. Refinance your parent plus loan with us at a rate of 1.9 percent. That sounds really good. When you actually read the fine print you find out that very few people are going to get 1.9 percent. The other thing that they tell you down at the bottom, you've got to read the whole thing, is if you run into problems you have other options with federal loans that will help you. You won't get help with something like this.

The problem is people see the sexy number, 1.9 percent, and they act without really reading all the fine print. It's really important that you do that. The problem, I think, for most people is that, when they skip a payment or they fall behind, this is where things really spiral out of control.

Look. The interest rate shouldn't matter if you're making the payments but, when you stop, now you're compounding interest on top of interest on top of interest and that's when you see those stories on the internet about people who went to community college and now they've got a hundred and seventy five thousand dollars in college debt. How does that happen? Well, you know what? They didn't make payments for a couple of years and now it's just compounding interest on top of interest on top of interest on top of interest on top of interest. Bad situation, that's a death spiral and it's really hard to get out of.

I'll give you another example. In 2009, when nobody was able to borrow money, I went

out and got a car. The interest rate that I paid on my car loan was 9 and a quarter percent and I have very, very good credit. So for the balance of 2009, all of 2010 and even into 2011, I was getting solicitations in the mail saying "Refinance that car loan at 7 and a quarter percent, at 6.75, at 5 and a half percent." You know what? If you actually sat down and did the math, you're going to find out that you might be saving 15 bucks a month, 22 dollars a month. It's just not worth it. If you're making the payments, the interest rate shouldn't really matter all that much.

The other thing I'm going to say is that when you have a debt, student loan, car payment, personal loan, whatever it is, remember the payment; that's the minimum. You can always pay more and you ought to think about doing that. That's the minimum that you would pay.

And, just for fun, take that minimum payment, multiply it by the number of months that are left on the loan. You're going to see how much you paid to borrow that money. It's a pretty big cost.

Okay. Great questions today. That's all we've got for you. We appreciate you watching and we'll look for you in episode number 18: The Straw that Stirs the Drink. See you then.