Tom Mullooly: In episode 257 we talk about where you can go to get yield these days. Stay out of the trap.

Tom Mullooly: Welcome to the Mullooly Asset Show, I'm your host, Tom Mullooly, and this is episode number 257. Thanks for tuning in everybody.

Tom Mullooly: Everybody today is looking for yield. Don't get caught in a trap. We have folks that they tell us, "Hey, this is safe money, I need to have this in the bank," or, "I'm going to be using this in six months to buy a house," or, "I'm going to have this money that I'm going to need, it can't be at risk." Unfortunately, it's not going to earn anything. That's the long and short of it. The last time that we got a 6% CD for a year was 1994.

Tom Mullooly: And so what people are doing now is because they're just so hung up on getting income from their actual investments they're putting their safe money into things like preferred stocks, into dividend stocks, into master limited partnerships. There's something that you need to know about every one of these.

Tom Mullooly: Dividend stocks, companies can cut their dividend at any time, there's no guarantee to that. In fact, 23% of S&P 500 companies that pay dividends are talking about reducing their dividends in the next year.

Tom Mullooly: Master limited partnerships, not owned by institutions, they're owned by individuals. When they cut their dividend it's over, that stock craters.

Tom Mullooly: Preferred stocks. The underlying asset with a preferred stock, most preferred stocks these days, it's usually a 40 or 50 year bond. And so when interest rates move you really feel it. You're going to see the value of that investment going up or down. It's not safe.

Tom Mullooly: So we heard about an ETF that has a 7% annual distribution rate, and we want to talk about this. The name of it is the Strategy Shares NASDAQ Seven Handle Index ETF. It's super complicated, we'll spare you the details. I also want to say we are not recommending this investment whatsoever.

Tom Mullooly: So understand that this ETF is an ETF that buys other ETFs, and they're trying to generate income for you. And they also put the whole thing on margin, so not only are they trying to juice the returns, they're taking a little more risk by doing this. And worst part of all the expense ratio for this is 1.2%, that's 120 basis points. Look, we're, we're looking at ETFs for our clients that are 1/10 of that number, 12 basis points, 15, 20 basis points. So look, don't complicate things.

Tom Mullooly: You should know that if you've got money that you're going to need in six months or a year, or it's earmarked for a house, or it's money that you got to have safe all the time, you just not going to earn money on it, that's just the way things are. The rates are so low that you're going to need to take risk to do that, and we would not condone taking those kinds of steps.

Tom Mullooly: So if you've got questions about this, you're concerned hey, maybe I've got money at risk that I shouldn't, give us a call, we'd be happy to talk you through it. That's the message for Episode 257. Thanks again for tuning in.