

Why the New York Mets Need a Financial Planner

Tim Mullooly: Welcome back to the podcast. This is episode number 206 of the Mullooly Asset Management Podcast. This is Tim Mullooly.

Tom Mullooly: And this is Tom Mullooly and fasten your seatbelt as Bob Murphy the Mets announcer used to say. This should be a pretty interesting podcast.

Tim Mullooly: Yeah, we're going to do something a little different today.

Tom Mullooly: By not talking about bitcoin.

Tim Mullooly: Right. Definitely a tired subject there with bitcoin, so we're going to change it up. We're also not going to do our usual mailbag questions.

We found a topic that we find interesting because we are die-hard Mets fans here, but it ties in nicely with some of the topics that we talk about for you people as individual investors as well.

Tom Mullooly: The topic of our podcast today is the 'New York Mets Need Some Financial Planning Help'. They're a shipwreck.

Tim Mullooly: Yeah. Year in and year out they continue to not spend money in free agency because they have a million different people on the payroll that they shouldn't be paying that aren't on the active roster.

But they have money tied up to these people, and they can't afford to go out and get other players. It shows on the field, and the fans see it as well, which lowers attendance, which brings less money in for the Mets, and it's just a continuing cycle of under-performance and bad contracts.

Tom Mullooly: Now I'm not going to say that I am an expert in all of the financial matters of the Wilpon family that owns the Mets.

But when it comes to running a business, if you're involved in a business at all, you've probably heard the term, "you can't save your way to a profit."

And you really can't. If you're managing your family's balance sheet or your family's income statement, you certainly want to be aware of the costs.

And the reason why we're tying this in today is because there's a team that plays in the same city that runs it like a business, and these guys in Queens want to run it like a family balance sheet.

So the Yankees use QuickBooks. The Mets are using Quicken 2009, so the difference with the Yankees is ... And we get a lot of feedback, so I totally understand that we're going to get some comments on this.

But the difference with the Yankees is they go out and they get marquis players.

One of the terms that the guys have heard me talk about all the time in the office is 'we gotta get fannies in the seats'.

I got that line from George Steinbrenner. I heard him say it when I was 11 or 12 years old. If you just get fannies in the seats, all your problems are solved.

Tim Mullooly: If the stadium is full, these people are paying money to come, to get in, to get a seat. They're buying beers, drinks, hot dogs, pretzels. They're spending money, bringing more money into the team.

You got to spend money to make money in a lot of cases, and that's one case where the Yankees really do it right.

They spend the money each off season, go out and get players like Giancarlo Stanton, who costs hundreds of millions of dollars, but they know that it's going to attract a lot of fans to want to come watch the team play.

Tom Mullooly: And at the time that we're recording this, it's projected that the Yankees, even with Stanton's massive contract, are going to remain at or below the threshold for the luxury tax, which is amazing.

That's good management. So understand something. We hear all the time, we talk about the Mets a lot in the office about how the Mets should just sell ... The Wilpon's should just sell the team. Okay?

But I think if you Google the Wilpon's and Citi Field and Willets Point, the area just beyond Citi Field, you're going to learn a lot of stuff.

Also, the Wilpon's are involved now in building this new arena for the Islanders at Belmont Race Track. That was news that just came out this week.

But understand, if you ever went to Shea Stadium or if you go to Citi Field lately. When you drive, you get off Northern Boulevard. There used to be all these auto-wrecking places just beyond Citi Field.

They're all gone because the plan was to develop this area into office complexes, apartment buildings. They wanted to build a hotel and casino. They also wanted to build

a shopping mall where most of Citi Field parking is right now, by the way. A lot of people don't know that.

The Wilpon's have options on all of these properties, all of them. And they're in the real estate business. The Mets are really kind of a hobby for the Wilpon's, so this is their focus.

The whole idea with their approach to real estate is buy property, leverage it up, so you can buy more property elsewhere, wait 50 years, flip it.

Tim Mullooly: It doesn't really matter to the Wilpon's, it seems, if the Mets win or not.

Tom Mullooly: Right. It just doesn't seem that way. So when the Yankees wrap up their season each year, they're like okay, what do we need?

Okay, well we need a right fielder who's going to hit 59 home runs. Let's go get him. Okay?

The Mets take a completely different approach. They say, what can we afford? Well we can afford 130 million dollars. Last year they started with 155 million dollars, actually one of the higher payrolls in baseball last year.

But it's where the money gets spent that drives us absolutely batty. And we see this all the time in our own office just on a much smaller scale.

Tim Mullooly: Yeah. When we're breaking down people's finances when they come in, we have them fill out some planning worksheets and look at cash flows each month and expenses where money's going. \$300 towards this. \$50 towards a phone that you might not need or buying things on Amazon.

Tom Mullooly: Taking money out of an ATM, and it just kind of slips through your fingers because you can't track it.

Tim Mullooly: Right. There's a lot of needless expenses that people have, and that's one of the things we like to key in on when we're trying to help people with their financial plan.

Because if they can cut out some of that needless spending, they're going to have more money to spend on things that they actually need, which is exactly what the Mets' problem is right now.

I'm sure you're all aware of the legendary contract deferral that Bobby Bonilla has with the Mets. Every year he gets ... What's the number?

Tom Mullooly: Bobby Bonilla, 53 year-old left fielder receives \$1,000,193 a year.

Tim Mullooly: He hasn't played for the Mets in 10 years. More than that.

Tom Mullooly: 15 I think.

Tim Mullooly: That's unreal.

Tom Mullooly: Yeah.

Tim Mullooly: And he's not the only one.

Tom Mullooly: That's going to continue for a few years.

Tim Mullooly: Right. And he's not the only former 50+ year-old player that the Mets have on their payroll. There's other guys. Right?

Tom Mullooly: I was really excited 25 years ago when the Mets got Brett Saberhagen. It didn't really work out. He wound up spraying bleach on some kids I think. It was really a negative thing. But guess what.

Brett Saberhagen, 52 year-old starting former starting pitcher receives \$250,000 a year from the New York Metropolitan Baseball Club. Are you kidding?

So Tim there was actually a designated hitter on their payroll last year. He was 39. He's now turned 40 years old. Played for the Mets 10 years ago, but the Mets are paying him \$3.1 million, Carlos Beltran.

The Mets paid Beltran \$3.1 million in 2017.

Tim Mullooly: So they paid him \$3.1 million in 2017 so that he could go out and win a World Series with the Houston Astros.

Tom Mullooly: Yeah.

Tim Mullooly: Great.

Tom Mullooly: Yeah. Now I play a lot of fantasy baseball, so I was really excited when the Kansas City Royals had this rookie coming up about 12 years ago named Tom Gorzelanny. Tom Gorzelanny pitched for the Mets.

I think he made two starts this year, came out of the pen I think three times. I don't think he was with the team for a month, one million dollars. Just flush it down the toilet.

The Toronto Blue Jays, in 2006, their number one pick, 14th pick overall in the country, Travis Snider. He didn't make it with them, but he played for the Mets last year, and he earned a half a million dollars playing for them. Unbelievable.

Tim Mullooly: Some of these contracts, if you look at them one at a time, they don't seem that bad. But when you add everything that we just said up, that's gotta be at least five or six million dollars right there.

That's not going to go out and buy you Giancarlo Stanton, but it's going to be able to get someone on your team that can actually play on the field, not a 52 year-old former starting pitcher.

Tom Mullooly: They just committed to this guy Swarzak, who had really good numbers last year. Now the theory with relief pitchers all along has been good this year, bad next year because they pitch a lot of innings one year, and then they're kind of sore or tired the year after that. That's the old wives' tale when it comes to relief pitchers.

Swarzak just got a two-year contract, \$14 million. That's seven million dollars a year. We just pieced together all the money to pay him with all of these old contracts.

Now seven million dollars, this guy is going to pitch probably 65 or 70 innings. That's like \$10,000 an inning.

Tim Mullooly: And it's really hit or miss with relief pitchers. Kind of getting away from the point, but they paid what? Like three million dollars to Fernando Salas, so that he could come in and have a 5.00 ERA.

Tom Mullooly: Another three million dollars that they flushed down the toilet for a player that they probably could have gotten for the Major League minimum at another time. Or another replacement kind of player to take his place.

So when you start stitching these things together, like Fernando Salas and Gorzelanny, Snider, some of these contracts that they've just thrown away money on. They paid

Jonathan Niese a half a million dollars last year. I don't believe he was on the team last year.

Tim Mullooly: I don't think he was.

Tom Mullooly: \$500,000, it is out of control, the money that they have spent on some of these guys. So this is the problem, is that we have folks that come in.

They want to do a financial plan. We do a cash flow analysis. We crack open their records.

We look at the books, and we try and find places where we can eliminate wasteful expenses and redirect that money into more useful places or better use of the assets or better use of the income stream.

The Mets need a financial planner. We're available. Okay? You don't have to call 507-TIXX to get in touch with us. It's 223-9000, area code 732. But the Mets really need some financial planning.

They need math help. I hate to keep harping on Swarzak, but two years ago, Swarzak pitched in Korea. I mean he couldn't even get a job in the United States pitching for one of the other teams. He didn't last on the Yankees more than 30 days.

There's a lot of things. I mean they paid Norichika Aoki last year. They had 34 players on the active roster. They had six players who were on the disabled list most of the year. That includes David Wright.

Now insurance is going to pick up a lot of his money, but Cespedes, his base last year, \$22.5 million. He played 81 games. Zack Wheeler, \$800,000, didn't pitch most of the year.

Steven Matz missed a lot of the year, \$560,000. Conforto, unfortunately, he's going to be a good player, but he got hurt.

Tim Mullooly: Should we talk about the dark knight?

Tom Mullooly: Yeah Matt Harvey.

Tim Mullooly: Matt Harvey gets like four million dollars to have an almost 7.00 ERA.

Tom Mullooly: \$5.125 million salary.

Tim Mullooly: His ERA was higher than that.

Tom Mullooly: His ERA was higher than his salary, and he got a raise. Or he's getting a raise. He's probably going to get renewed at close to six million dollars.

So the highest paid active player, not counting disabled list players, but the highest paid player on the list, Asdrúbal Cabrera, \$8.2 million.

So folks, what we're talking about is, there's a lot of money that gets flushed down the toilet in your monthly budget.

Maybe it's a car payment that you don't need to make anymore. Maybe you should just buy the car because then you'll have a limited number of car payments and be done with it. Okay?

Maybe you're in an expensive cell phone contract. Maybe you have a cable bill, and I don't know about you but 300 channels, there's nothing on.

And maybe you can get Netflix for 10 bucks a month or something like that. So there are things that everybody can do to trim their numbers and it frees up cash flow to do some smarter investing.

Tim Mullooly: Don't be like the New York Mets.

Tom Mullooly: Please don't be like the New York Mets.

Tim Mullooly: We could go on for another half an hour about the Mets and the Yankees, and the differences between them.

But I'm not sure you guys want to hear about that. Take the lesson that we just put out there for you to hear, and make sure you're spending money on things that will help you win your game.

Tom Mullooly: We'll see you on the next episode. Thanks for listening.