

0 (0s):

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1 (34s):

<inaudible> welcome to the Clark Howard show. You know, our mission is simple to serve and empower you to make better financial decisions in your life. I want to tell you how grateful I am that you listen. And I hope that you'll subscribe. If you like what you're hearing in today's episode, I'm going to update you on the GameStop frenzy and what I think it really means for the future of the stock market. So GameStop became this, a populist uprising that went across the political spectrum.

1 (1m 17s):

What I learned from the GameStop mania was that there is a lot of anger and resentment in America towards the wall street elites. And people thought it was just awesome that these really rich fat cats were whining, that they were losing billions to ordinary investors. And that's cool. But the thing about investing is that there's been a separation in people's minds between the real value of a company and the value of it. Stock, you know, the, the thing that got set off on Reddit and when my 15 year old son every day gives me a report on what's going on on the Reddit boards and what they're saying and about this company or that one, or what they're saying about silver or whatever it is.

1 (2m 16s):

And it's this investing by kind of an ad hoc committee. The problem I have for you and your wallet is if you're just playing with some money, that's fine. But if you're putting money that you actually are going to need to live on, or for your long-term financial security know that what's involved in, what's being posted on Reddit are not real investing strategies. I mean, you are investing, but you are really more engaging in speculation or gambling.

1 (2m 57s):

And it's cool when it works. But what happens when a company ends up way beyond its actual real value is that there are people who are on the roller coaster ride up. If they buy it the right exact second sell, if the right exact second, they're doing awesome. But the people who bought from them when the roller coaster makes it scary ride back down, they are the ones who get their wallets cleaned out. And I think that this reminds me a lot of something that happened at a generation ago before many people that are investing through RobinHood were even alive or were just young babes and diapers.

1 (3m 45s):

Hopefully their parents buying generic diapers instead of brand name, but whatever that we went through,

something called the dot bomb crash, where values in 98 and 99 went through the roof for companies that had never made a penny. And the more money they lost, the higher their stocks went up and they were all what are known as story stocks and the way those stories ended. They weren't like bedtime stories with happy endings. They were really ugly with companies that lost huge amounts of investors, money in the billions.

1 (4m 30s):

And what was similar as in to what's been going on lately with the trades and stocks of unlove companies that suddenly go way up and then take their ride back down. What was consistent. Then that is again, happening now is that overwhelmingly the people that were doing this were investors that were smaller investors. And in cases we're borrowing money that they couldn't afford to lose. No, one of the things that's been going on in this time also happened in 98 and 99.

1 (5m 11s):

And that is that people were borrowing on WhatsApp is margin in order to place bigger positions. And then when a stock starts its fall, you get hit with a margin call, which is where you have to pay off your loan, basically in a nanosecond. If you don't have the money, your whole position is sold out and wiped out. So this is something that is not for the faint of heart, because as we saw back when the 98 99 mania ended in 2000, we had a massive decline in the stock market that took many, many, many years to recover from.

1 (5m 58s):

There are conditions today that somewhat mirror that. And so think about investing is something you're doing for a long time are a lifetime, not for today's hot, Stock hot, precious metal or whatever it is. If you have money, that's your play money and you want to play these games, go for it. On the other hand, if it's money, you really, really got to have, this is too hot to handle and you'll get burned bad in the kitchen.

1 (6m 38s):

And Krista, you were with me and way back in 1999, which was a song also, right?

2 (6m 49s):

Yeah. It was more celebratory than what, what happened with the, with the stock market.

1 (6m 54s):

It, it was, it, it was really something that the people that were financial analysts just were shaking their heads at. They couldn't understand how these stocks back then were going up and up and up and up, which they did until they didn't. And when the airline out of the balloon, it was fast. You know,

2 (7m 15s):

We talked about our 15 year old sons, a moon when you talked about this on another episode, but I'll have to

give you an update that mine got his dad to buy him. He gave his dad some cash and got him to buy a stock. That was another speculative. One from Reddit that he had seen. And he is now lost like 70% of the money he gave his dad. So I think it was a really good lesson for him.

1 (7m 37s):

Only a good lesson. If people don't just go away and say, investing is not for them now, he still thinks he's pretty smart. What you do have a very smart son. The thing is I don't want people. If they get burned through this wave of a red and inspired mania to not turn away from investing, say that it's just not worth it. It's too risky, whatever. That's why you have to think widely diversified. And long-term not a single stock that you're going to own for hours or days. And I know I've said it again and again, I am the dullest human being alive and see you nodding your

2 (8m 23s):

Head. It is true.

1 (8m 27s):

I am extremely Dell and my philosophies about investing are extremely Dell. And so I want you to have financial security and you know, what, if people are having fun, getting animated and talking to each other about this trading symbol or that one or whatever, and what's going to happen with this one or that one? No, that I would be the person that would put you to sleep talking about how you build a portfolio with funds or in a retirement account with the target retirement fund. Because what I'm about is you ending up with a real financial wealth, real financial security over time, not the quick score with that.

1 (9m 13s):

Having been said, let's go to your questions is Mr. Dullsville is ready to answer them.

2 (9m 19s):

Well, Clark Eddie in Georgia seems like he might want to get in on the game. He says, is it safe to give the RobinHood at my social security number? I want to sign up for it, but I'm not so sure now

1 (9m 31s):

Investment house. You have to give your social security number, just like any bank. They use it to comply with federal rules, for tax reporting, and also to verify your identity. And so you got to give it to them. Now we have new reviews at Clark dot com of various Investment houses. And I know RobinHood has kind of taken a black eye the last couple of weeks, but go look at what we have in our reviews since so many places offer free Trading and even number offer you the ability to a buy a fractional shares, which is just a dollar amount of a company at no Trading costs.

1 (10m 13s):

See which particular one fits most, what you are interested in.

2 (10m 18s):

And Kevin also has a related question. He's from Florida and says, I want to try to Trading stocks on my own a few years ago opened a Charles Schwab account, but I never funded it. Should I go ahead and fund the account? Or would you prefer another company to work with? I'm new to trading stocks, but now ready to give it a shot,

1 (10m 35s):

Charles, Schwab's great. I mean, you know, if you look at who has the market share in the United States, now there are three behemoths that have most of the market share. They're Vanguard, which is a second largest financial house in the world. They're not really geared towards the small investor and Schwab and fidelity, who both have tried to be entry points for people with whatever money they have. I mean, fidelity, you can have a dollar and open an account. So if you have a Schwab account that you have not activated by putting money in it, I think that's great. They are a very good company.

2 (11m 14s):

And then so many questions are coming in about this Clark Matthew in Oklahoma says I just received a revision of terms for my Chase credit card. I'm wondering what red flags I should be looking for. And whether it's time to jump ship, I've had this card for six to seven years. Now we pay it off by monthly. It is the only card we use.

1 (11m 33s):

So what Chase did in their terms of service was first. They gave people an explanation that made sense only to lawyers and only when a lawyer was briefed by a lawyer who wrote it. But it is. I interpret the Chase terms. I knew this was going to come up because they're the second largest issuer of cards in the United States. And I'm not a lawyer, but I sussed out reading this, that there are two aspects that are extremely anti-consumer of what chase is saying. First, they're offering something as if it's a benefit. That's actually not at all where you can take certain transactions, you do on a chase card and pay them off in installments at very high interest.

1 (12m 21s):

Now this is because Chase is losing market share to the various outfits. I've talked about that allow you to pay things off in installments of typically four months to 18 months at zero interest that are fast growing offers that you'll see at a place you're buying health and beauty AIDS are so many different places. They're vastly superior to what Chase is saying to its cardholders. The second thing Chase has done is they're now saying that certain transactions you do the you're not even gonna know till after the fact from my reading of it. When you get a bill Chase is going to treat the transactions as if they are a cash advance instead of a traditional purchase charging you interest from day one and all the awful junky costs that come with that.

1 (13m 15s):

And so Chase has become potentially a dangerous card for you to have in your wallet. And I encourage a Chase bank to come clean, explain in simple English what they're trying to do, because my read of it is this is a lose for consumers compounded by another lose for consumers. And we got more for you coming straight ahead on today's podcast. And I want to tell you that if I later discover that I'm being too harsh on Chase, I'll do it. I always do. I will tell you that I harshed on them too much, but I don't think so.

0 (13m 60s):

You decided to upgrade your outdoor deck. So you ordered the essentials, a power washer or a set of patio chairs and a shiny new grill. And you used your bank of America, cashew awards, credit card, choosing to earn 3% cash back on online shopping or up to 5.2, 5% as a preferred rewards member, which you put towards the cost of your most essential deck edition. A bird feeder apply for yours@bankofamerica.com slush more rewarding copyright 2020 bank of America corporation.

1 (14m 35s):

You never know when your talking to people on a podcast, what strikes a nerve. And I've had two people ask me about the Amazon misadventure. I talked about where I ordered an item that was supposed to be delivered in two days. It was a combination, a bed frame box spring, and it went missing, never showed up and every day would say it was coming in the next day. Finally, I followed Krista's suggestion did a chat with Amazon, worked beautifully. Krista, thank you, Amazon. Immediately with the chat ordered me another one. It was supposed to be delivered the next day.

1 (15m 17s):

It took five days, but it did show up, but that's not even the punchline. So the funniest thing, we have another one of these, a combination box, spring frame, things that are there, really the future of how bedding is gonna work in the country, where you have a platform. You have one of these combo things instead of a traditional frame with a box spring. And so my wife didn't want me to order the same one we had before. Cause she wanted one that was taller. So I found one on Amazon that was taller and ordered it. It was \$40 more than the one I'd ordered before from walmart.com.

1 (16m 0s):

It's the Amazon. When the first one went missing, never showed up a second wind showed up after five days. And I mean exactly a hardship. So my son and I build the thing, put it in place and I'm like, Oh, this doesn't look any different than the one we got from Walmart for \$40. Less. So I went and got a tape measure and they were exactly the same height. And what Amazon had done was they had counted the distance off the ground differently than Walmart did adding five inches to the measurement. So I need to set and the replacement for Jeff Bezos, a ruler.

1 (16m 42s):

I won't buy it on Amazon cause it will be too expensive, but I'll buy one like a dollar tree and send it to him and, and he can measure and see. So I wasted all of those days and \$40 on something. It was actually the same exact as the warm meals is that you're going to have to skip now. So 40 bucks, you know, I use a lot of electronic coupons and stuff and you know, my last lunch I had was a lean cuisine. It was a dollar 29. So if I eat lean cuisine every day, then I'd have to skip 30 something lunches.

1 (17m 24s):

Boy, that'd be a lot of days with it. I mean the Links of course it was only 350 calories. So it wasn't like I was pounding on the calories. So was that to intelligence and talk about no one's on that way. Nope. No, no. Are you going to get spotty? I mean, it wasn't a rip off. It was just a misleading, right? Yeah. So what you got for Christmas?

2 (17m 52s):

Let's see. Well, DOE and Florida says, why is the IRS sending letters and snail mail with social security numbers? We received interest earned statements with ours on them.

1 (18m 5s):

So the IRS has considered to be the ultimate legitimate business purpose. And it would make sense to me with all of the problems with identity theft, that the IRS send only partial social security numbers on their mail. But I have correspondence from the IRS. I get too much from them that it has my social security number right there. And I don't know if they've really considered going to partials for your social security number, but I think it shows again, your social security number is out there so much. We were talking about it. It just moments ago with somebody's having to give it to open a RobinHood account or any stockbroker to your bank account.

1 (18m 50s):

And this is why you hear me like a broken record for 15 years now talking about Credit Freeze that if you've not done it, I know millions of Americans have, but many millions more have not that that's the best thing you can do to protect yourself from somebody misusing your social security numbers, not foolproof doesn't prevent every form of habit somebody would cause in your life. But if you go to Clark dot com, look at our Credit Freeze Guide we'll walk you through how to do it.

2 (19m 23s):

All right, Erica in Oregon says, hello, Clark a while back. I think you mentioned waiting to purchase a new or gently used car until roughly this spring do to hire a vehicle demand and low inventory due to COVID. I'm hoping to purchase a new car on the next three months or so, but I'm also would like to get some feedback from you before I do. When do you think is a good time to purchase and 2021 to get the most value?

1 (19m 49s):

A great question. There have been some real deals over the last few weeks on leftover 20 model year vehicles that, you know, it's, it's really ugly for manufacturers and for dealers. If they have new 20, 20 models still sitting there and here we are in the second month of 21. So if you could buy now and you keep a vehicle a good long time and you decide to buy new, then looking for the leftover twenties would be a significantly good deal. It could save you somewhere around 8% off the purchase price of a vehicle versus buying a 21 model year.

1 (20m 37s):

If you're looking at used the unfortunate increase in the breakout of Corona virus, as of late has led to softness in the used vehicle market. That has not been they're in a long time. And I've been spending a lot of time on the sites and I'll do things where I'll, I'll like a vehicle and I've been doing this online and then see if I get any response later and two vehicles. And, and I'm not even in the market for the swiping left on it. Yeah. Right. Two vehicles recently I've gotten notices that the prices of the vehicles have been cut and one of them was cut \$3,200.

1 (21m 23s):

And so some vehicles are sitting now not as loved as they were from months and months and months, and say, you may find a better opportunity. Now I expect that as manufacturing gets ramped up to normal volumes, which it still is not that the demand for vehicles has declined for new vehicles. You'll see some of the ones that have been really, really hot and dealers have been running up the price of them that that will certainly lessen over the next few months. But the real opportunity right now, compared to what we've had of late is used and late model year, last model, a year new,

2 (22m 5s):

Okay. Now Cindy is also in looking for a car. She says, I'm buying a car through eBay. And the only way to buy is using prepaid cards. What should I do?

1 (22m 15s):

That is a a hundred percent of scam. I hope that we've reached to you in time that you don't do this. E-bay if you buy on eBay, you would be paying through PayPal with a legitimate purchase. And somebody who's trying to get you to do any kind of card payment is someone who's trying to scam you out of your money. And unfortunately, on my TV work, I've done stories about this. So many times I can't even count. And it just keeps working with the criminals, being able to convince people that they really have that vehicle they're really selling it to you.

1 (22m 57s):

And before you know it, your money is taken a one-way trip and there is no vehicle.

2 (23m 3s):

Kristin and Georgia says, I recently heard that some people save up their charitable giving budgets and make larger a lump sum, some gifts once every two to three years, as a means to have deductions over the standard deduction, thereby reducing taxes in that giving year. Any thoughts on this?

1 (23m 21s):

We're a very common thing people do. And there is a way that people do at most often now by donating a lump sum when you've got it to what it's known as a donor advised fund, which is something that, that you can do with most, any stockbroker. The biggest of them, all I think is with Charles Schwab, but they all have what you donate either cash or the best deal is to donate stocks or mutual funds that you have had a run-up and value in. You got a double tax benefit then, and you donate to this fun. And then from it, at your leisure over time, you donate to the charities.

1 (24m 6s):

If you want to give it to you, don't get a second charitable deduction. You only got the first one, but you're able to donate at will over time to the cause is that you choose. And that concludes today's podcast. I want to thank you so much for being part of our team Clark community. If you have enjoyed this, please subscribe, review it. And if you need more advice, you'd like one-on-one advice. That's something we've been doing for 28 years where you can talk with a member of team Clark for free at our consumer action center. I'll give you the phone number now, or you can, I'll tell you how to find it later for seven Oh two eight four seven one three seven that's (470) 284-7137.

1 (25m 1s):

Or you can see ours, all the particulars and that number again at Clark dot com slash C a C

3 (25m 9s):

<inaudible>.