

0 (0s):

You finally decided to learn how to ice skate. So you ordered the essentials, every ice skate to needs a pair of blades, a new helmet, and a good set of kneepads. And you used your bank of America cash rewards credit card, choosing to earn 3% cash back on online shopping rewards that you put towards the cost of an essential piece of post skating recovery, a heating pad Visit [bank of america.com/more](http://bankofamerica.com/more) rewarding to apply. Now copyright 2020 bank of America corporation.

1 (34s):

<inaudible> it's my pleasure to welcome you here to the Clark Howard show our mission to serve you and empower you. See you make better financial decisions in your life. In today's episode, I got a warning for you. If you're popping in and out of stocks, you know, game stop was the one getting all the publicity, but there's a lot of people using Robin hood and things like that to buy a stock today, you got out tomorrow and on and on and on. I'll tell you what you need to know for your wallet. Also, I've got some really positive news about the job market and opportunity for you to make a positive impact on your career may have actually come out of the pain of the pandemic.

1 (1m 28s):

So something that has been overlooked and all of the excitement about the apps. So you can have on your phone for buying and selling stocks is the tax issues. If you actually do well or even potentially tax issues, when you don't do well and buying and selling stocks, the tax code is set up to punish people who trade quickly in and out of stocks and reward. People who buy a stock or a mutual fund or an index fund, or an ETF that you hold for 12 months or longer tax code discriminates against anything held less than a year where your subject to a tax bill known as ordinary income.

1 (2m 23s):

Versus when you hold something a year or longer, the long-term capital gains. Now there is a way around this and that is, if you do want to do high frequency trading, do it in an IRA. If you do it inside a Roth IRA or even a traditional, you don't have to worry about generating crazy tax bills for owning a stock for a few hours, few days, a few weeks or few months. And so if you are going to engage in that, high-frequency kind of trading and individual stocks retrying to time your way in and out.

1 (3m 10s):

If that's your thing, know that it's something you don't want to do in a conventional traditional investment account done inside a tax sheltered account, like either version of an IRA. You avoid the taxes now as an investment strategy, you know that I'm not into this. If you've heard me for any period of time, I believe that the key to creating longterm financial security is not trying to hit the big score, but instead making money steadily over time, you know, I always use a baseball analogy for this, even though of the sports I played as a kid growing up, I was by far the worst.

1 (4m 1s):

Anytime I was playing baseball, I was terrible. But the analogy counts you, you know, when you step up to the plate, you're just as valuable to your team. If you watch the balls and strikes and get a walk, or if you get to a single, but a lot of people get up to the plate and they try to hit that home run. And what happens most often when you try to hit the home run, you strike out. So that's why I'm all about getting that base on balls or that single steady, steady, steady creates the financial security.

1 (4m 46s):

And for me, it's all about building that is Charles Schwab calls at that core first. And that core is inside a retirement account that you have that target retirement fund that owns potentially thousands of stocks, all in one investment. And you were putting money in pay period after a pay period, or if your doing your own Roth IRA, putting money in month after month. And you build that base, you build that core. If you're doing a taxable account, I love index funds. Why? Because of the tax treatment is so favorable and your money is diversified, but if that's not your thing and you really want to do the individual stocks and you want to play that game in and out, in and out in and out, just know that it also requires extreme tax planning.

1 (5m 43s):

If you do it in an investment account. And that's why the smartest thing to do is do that inside the IRA. Remember that it's not my first choice, a preference for you is how to invest your money. But if it's cool for you and it's what you want to do it, at least do that high frequency trading inside a retirement account. It's time for your questions. And Krista, what are we starting?

2 (6m 11s):

We're starting with Sonny and Georgia who says, I want to teach money management and responsibility to my 14 year old son. So he's ready in four years when he goes to college, my plan is to give him money every month, which he can use to see wishes, but shares later how he spent it since most of the transactions would be digital. I'm thinking of setting up a separate bank account with the debit card and also connect that account to PayPal and Venmo, is there a bank or credit union you would recommend for this? Will the account be in his name or mine? Also, I heard him one of your segments that Kristen, you want your sons, I think 15 year-olds to take summer jobs. I really liked that idea and will push my son towards it. If he does this, will he need to file tax returns?

1 (6m 52s):

Actually, he wants to file a tax return because one of the things that will be an advantage from working as a teenager, you don't have the normal expenses of housing. And all of that is that you use a lot of that money to go into a Roth IRA money, put in as a teenager in a Roth IRA, the small amounts will make somebody huge amounts of money later in life. Because time in investing is the key criteria to what creates wealth, figuring money doubles in investments every eight to 10 years typically. So to the account for a minor child, if you are fortunate enough to be a USAA member, USAA has a fantastic account called a Youth spending account that ties in with a debit card allows you to tightly monitor.

1 (7m 50s):

If you wish as a parent, what transactions your son's doing, where are you spending his money, all of that. And it comes with a checking account, the car, the whole thing. It is a very, very good starter account. And at age 18 becomes a, an adult business relationship for your teenager, with the USA. By the time they're 18, they really understand the whole banking thing. A very few banks do this because these accounts are expensive, but a lot of credit unions do these Youth accounts as well. They vary from institution to institution, but the key is usually they're free, no fees, no minimums because these organizations want to capture the loyalty of a teenager.

1 (8m 41s):

And the likelihood is wherever a kid has. Their first account is where they're likely to keep an account are more likely to keep an account for a long time or a lifetime. I, as I received an unsolicited message from someone wanting to pay me \$500 a week to put decals on my vehicle for three months, as I read the contract, it has some particular things I must do to get set up. Number one, being I have to pay a designer to make the decals seems wrong to me. I would never pay a designer to design a decal for another company or person. I think the company should pay their own designer. You all do a great service and that's from Robert.

1 (9m 23s):

Robert. This is just a flat-out scam. This is unfortunately a known scam out there, I guess, good that it's known so that other people, if they were to search for this company would know it's a scam. The whole thing with you paying the designer, you're actually paying a crook. Who's pretending to be a designer. And that's how they run off with your money in this particular scam. And 20 years ago, there were actually real opportunity. You have to have your vehicle, what they called wrapped with advertising, and you'd get paid a monthly fee for doing it. Almost everybody who did that has gone away. I did at a red light, see a vehicle two weeks ago that had their vehicle wrapped, had the name of the company that was paying them and had a phone number for you to call if the person was driving badly, because that's a bad representation of the business, they were advertising.

1 (10m 22s):

And then the individual made an illegal U-turn at that intersection from the middle lane, I was like, man, and this one wasn't even a rip-off wrap job with the person who was driving was not a good rep, but that whole thing is a there's. So many of these things you get about getting paid dev advertising on your car, sadly, or scams, or you did that back of the day, right? How much did you make from that? I did. I didn't make too much, but a couple of hundred bucks a month, which is, which is decent. But I know some people who drove more than I did could make four for 5,500 bucks a month just doing it. And the company was called Raphi.

1 (11m 3s):

Oh yeah. I think they're still around. I think they're one of maybe the only legitimate one that's around next.

How would you like some positive news about jobs in your career? I know this has been a weird last year and the job market, but I'm going to share some great stuff with you coming straight ahead.

0 (11m 28s):

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 are 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 slash More rewarding copyright 2020 bank of America corporation.

2 (12m 3s):

This episode is brought to you by progressive saving money on your car. Insurance is easy with progressive. It's an average savings of over \$750 for customers who switch. And Save in fact, customers can qualify for an average of six discounts on the auto policy with progressive including discounts, just for starting a quote online, or having multiple vehicles on their policy. Get your quote online@progressive.com and see how much you could be saving national annual average auto insurance savings by new customers surveyed in 2019 potential savings will vary discounts, vary and are not available in all States and situations.

1 (12m 44s):

This has been the weirdest recession of my lifetime. I've never seen a situation where a large block of people were doing better than ever during a down economy while other people were absolutely getting clobbered. And this unusual pattern has created an opportunity that I think is important for you to know about. So we've got tens of millions of people who suffered lengthy cycles of unemployment since March of last year, people who worked in tourism, conventions, hotels, car rental companies, airlines, just to name a several industries where the job market just got demolished and remains in terrible shape.

1 (13m 52s):

And then think of all the retailers that have failed over the last year, retailers that may not have been healthy before the pandemic, but the pandemic put them out. And so you have millions of Americans who have suffered a sucker punch from the job market. At the same time, the number of jobs being posted is higher now than it was a year ago.

1 (14m 33s):

Now jobs are not just appearing everywhere with people begging for workers, but things are really, really good on the employment front with a lot of Employment categories. And if you have worked in an industry where you feel stuck, you are like, well, I just got to wait for them to call me back. And you don't know if that call backs going to come and when it would come, the reality is you should really think about what other things you can do in job categories where you'd really be one.

1 (15m 17s):

It, and so there are millions of jobs open right now, USA today ran a story recently that many of the people who lost their jobs in categories, like I talked about, I've got to mention restaurants as well, where Employment has been just decimated. A lot of the people who lost jobs made complete career changes

3 (15m 53s):

Here.

1 (15m 53s):

Two thirds of people who lost their jobs permanently have now found new positions. And here's the crazy thing, almost six and 10 people who went looking for a different kind of opportunity than what they were in before six and 10, or making more money in their new job than they made in the one they got laid off from. So I know it's been tough and I know that it's normal, that we seek employment with the kind of place we work before doing the kind of work we did before.

1 (16m 40s):

But the reality is the job market never stops. Changing. All that happened was that fast forwarded during Corona virus. So this is a case where looking outside the box that you've been in is going to be absolutely core and key. So think about the skills you have, the training you have, the education you have and what for what are referred to as cross job skills skills you have that can be used in a completely different kind of industry or company.

1 (17m 22s):

There are a lot of skills that do translate that do transfer somewhere else. And that's where you should be looking doors have closed. Go find that open window. Krista

2 (17m 39s):

Ryan and Nebraska says, I'm interested in 80 10, 10 lone to avoid PMI. I contacted a few banks locally and they all stated that they were either one, not aware of what is or to don't issue those types of loans. I have the cash to get to 10% equity. And when I like to avoid PMI,

1 (17m 58s):

What was the key thing? You said Krista, there was the automatic alert that you'd have clueless people, banks, banks. Yes. Thank you. When you're doing something outside of the normal routine kind of thing, with a loan from home, you go to a mortgage broker, mortgage brokers know the market. They're better trained than bank employees typically. And they will not say, Oh, what's an 80 10, 10, what's a piggyback loan. They know what these things are. Now, whether you will qualify for an 80 10, 10 or an 80 15 five or whatever it would be.

1 (18m 41s):

If you're not familiar with an 80 15 five is where you put 5% down. You take out a second mortgage. That's 15% of the cost of the home and a first mortgage for 80% or the more conventional, it's not a conventional, but the more typical 80 10, 10, 10% down payment, 10% a mortgage for 10% of the purchase price. And then a first mortgage for 80%. That's why it's called an 80 10, 10. And so a mortgage broker with any experience at all, will be able to help you with getting an 80 10, 10, the banks hate any of these because they don't make all the rip off money from private mortgage insurance that the banks like to be able to charge all the money for.

2 (19m 34s):

Okay. Eric says, Clark you finally did it to me, dagger through the heart with an unhappy skunk write under the nose as I'm gasping for my last breath. At last, you addressed prepaying fixed a fixed rate mortgage, but you talk about it in a lump sum payment angle. I wish you had addressed it from the common man's point of view for a regular Joe like me with no other debts who can afford to make one or maybe two additional principal only payments per year. Is it worth it? I have a 20 year fixed mortgage, a car loan that will be paid off in the next few months, a pay off my cards and full each month and contribute to a 401k in your favorite wroth and save whatever I can and fidelity zero index funds each month,

1 (20m 15s):

If your doing all that and you still have money leftover and you want to prepay on the mortgage, I love it. What I would do is whatever amount seems reasonable to you, that you would pre-pay total in a year of towards the mortgage, divide it by 12 and pay that additional amount towards the principal each month, that actually will save you more money over time than doing a lump sum once or twice a year. Because once you've eliminated a dollar, a principal on your mortgage, that dollar has never charged interest again. So doing that on a regular basis to shorten that 20 year loan down is a potentially a great way for you to get out of that mortgage debt sooner.

1 (21m 4s):

And with you finishing off, paying off that car loan, all of the other investing you're doing it means that you were on a trendline to be completely debt free, including your mortgage as quick as you can. And that's great.

2 (21m 20s):

Charles and Louisiana says on a recent podcast, you mentioned a home security company called wise.com. Can't find them. I use two search engines. Did they go out of business or did they ever exist at all?

1 (21m 32s):

I should have, and I don't do it enough spelled it. And it's weird. It wouldn't show up in a search w Y Z e.com. They can't spell at wise camp. So if you go to Y's dot com, here's the wise camp WYZE yeah, it's wise.com.

WYZE dot com. What comes up right away wise, home monitoring 24, seven professional monitoring meets your smart home. And then it goes through and explains the why security system. And as I promised, I have ordered one to see how easy it is to install and how well it will work.

1 (22m 15s):

And unfortunately it will not be shipped to me till April is the notification I got from wise. Then I will attempt the instillation and I will let you know how easy it is to install. And then over time, how well it works. The deal with the wise WYZE dot com system is that the system is ultra cheap to buy. And the monitoring professional monitoring is the lowest cost by far in the industry, 60 bucks a year.

2 (22m 51s):

Okay. And finally, Brendan, Oklahoma says, can this be true? And it looks like an excerpt from an email, big banks may be coming after your savings and retirement accounts. For certain accounts, they could help themselves to your money to stay solvent during the looming financial crisis. It's all going to be 100% legal because of the Dodd-Frank act. And if you have a \$250,000 or more in your IRA, 401k, 401k, TSP, your savings account, you could be one of the first in line to have your money confiscated.

1 (23m 21s):

Oh boy, first of all, Dodd-Frank is blamed for everything. And this is a, an email circulating out of hysteria. Don't worry about that. However, having retirement accounts at a bank is a rotten, terrible, awful hideous idea. You want to have your investment accounts, your retirement accounts with a discounter, the three bigs are Schwab fidelity and Vanguard, but there are many other low cost providers as well. Never, never, never, not ever should an investment account or retirement account B at a bank.

1 (24m 4s):

And addition, when you have your investment account at a brokerage or a mutual fund company, an investment house The accounts are protected because you know, the money is invested. And even if the brokerage, your investment house went bust, your money is still fine and safe because it is invested in the funds. It's in the stocks. It's in no harm, no foul, no risk, the quarter million dollar rule. Okay? So with the bank bank accounts are insured up to a quarter million dollars. You don't want to have more than a quarter million dollars in any one financial institution.

1 (24m 49s):

And there are ways you can have more by having different titled type of accounts in one, but my preference, again, never, never, never, not ever have your investment or retirement accounts at a bank. The fees they charge are outrageous. The investments they offer are terrible. They are places you put your money in checking accounts, have a credit card from a bank. If you want only you have a savings account with the credit union or an online bank because traditional banks pay such a terrible interest, blah, blah, blah, blah, blah. But any of these emails circulating, creating fear about bank failures and seizures and all of that.

1 (25m 33s):

Absolutely not true. I'll tell you what is true. I want to thank you. And I'm so grateful to you for being a part of the team Clark community. And any time that you could use some advice, I wanted to tell you, we provide one on one free advice, something we've done for 28 years through team. Clark our consumer action center, because you can see more about it or ours at Clark dot com slash C

3 (26m 5s):

A C. Please subscribe

1 (26m 7s):

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3 (26m 11s):

Do you.