If You Can't Beat Big Oil Guys, Join 'em

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Rich guys don't gripe about high gasoline prices.

They just buy oil stocks.

Take Exxon Mobil chairman and CEO Lee Raymond, for example.

In addition to his $7.52 million in salary, Raymond also cashed out $43.65 million in stock options in 2004.

Of course, that's the beauty of the stock option, which holds the promise of great reward with absolutely zero risk.

An executive holding a stock option has the right to buy shares at a pre-established price for a period of several years. If prices rise, the executive exercises the option and pockets the difference between the option price and the price at the time of cash-out. If prices fall, the holder simply lets the option lapse and doesn't lose a dime.

It sure beats trying to make money betting on NFL games.

But what about small-time investors hoping to jump on board the oil stock bandwagon? After all, if you can't beat them at the pump, why not join them on Wall Street?

Unfortunately, this oil train left the station about three years ago, long before crude prices hit $70 and Hurricane Katrina sent the nation into its latest gasoline panic.

How well have oil stocks been doing over the past several years? Consider that the Vanguard Energy mutual fund -- which tracks the largest fossil fuel companies like ExxonMobil, ChevronTexaco, BP and ConocoPhillips -- is up 31.5 percent year-to-date and has an average annual return of 37.6 percent over the past three years.

Those are the kind of big numbers that hearken back to the heady days of 1999 when everybody and their grocer was gobbling up tech stocks.

But with oil prices at record highs, isn't it still a good time to dip into the sector? Probably not, according to the experts.

The price of crude oil and gasoline appears to have finally reached a point where it will affect both consumer and investor behavior, according to the analysts at Robert W. Baird, the Milwaukee-based money management firm.

In a new report, Baird opines that Americans are actually starting to change their ways, eschewing the gas guzzler in the name of more efficient vehicles.

"The fact that consumers are reducing the number of trips to the mall, at the same time $85 or $90 oil is considered a given by futures traders, raise the potential for a correction in crude," said chief investment analyst Bruce Bittles.

In plain English, that means oil prices stand a darned good chance of falling rather than rising over the near term.

Baird goes on to warn that any short-term run-up in the market this fall is likely to stall by the end of the year, as higher energy prices start to hold down consumer spending. And since consumer spending accounts for two-thirds of the nation's economic activity, that's not good news for the markets in general.

So what's an investor to do in these uncertain times? Nobody can predict the future but chasing performance -- buying a stock or mutual fund because it did well last year -- is never a very good strategy.

Car free: Aside from owning oil stocks, one sure way to beat high gas prices is by driving less.

This is a no-brainer but it seems to be continually lost on millions of Americans who get in their vehicles for each and every trip. Of course, if you made the decision to live out in Sprawlsville that's the price for having a big yard, lower taxes and acres of free parking.

But for those looking to change their habits, the people at the Madison Environmental Group are again holding their "Car Free Challenge," which runs from Sept. 22 to Oct. 5. The event challenges area residents to reduce or even eliminate their car use by walking, biking, using public transit, car-pooling, etc.

The group even has a "starter" challenge this year to get people to make just one less car trip per week over the two-week event. Even hard-core sprawlers could manage that, right?

For details visit: www.carfreechallenge.com.

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