

## Is your pension safe?

*Educating, advising and inspiring you to a better life*

Most people assume that promises made to them by their employers are iron clad. For those of us who are self employed we have no employer to rely on and must rely on ourselves to make sure our future retirement is secure.

"Pension" is thought of by most people as a defined benefit pension plan that will pay a fixed dollar amount when you retire. Those plans are few and far between today as many businesses and employers try to reduce their expenses. This shift brings "defined contribution" plans such as 401(k) into the limelight.

Many businesses have both a pension plan and a 401(k) type plan. In the past few years many large employers and unions have actually reduced pension plan payments and eliminated insurance benefits that were previously included in pensions. Many pensions have actually gone bankrupt in the past few years.

When pension plans go bankrupt, they are taken over by the PBGC (Pension Benefit Guaranty Corporation.) Just a few years ago the PBGC had a surplus of 5

*continued on page 2, pensions*

## INSIDE THIS ISSUE

- 2** Reducing your taxes
- 3** Noteworthy News
- 4** Annuity mistakes
- 5** Inspirational quotes, The fallacy of indexing

## Protecting your privacy !

The recently passed Federal do not call list will give us all a whole lot of peace as we sit down to eat dinner with our families each night. If you have already enrolled in Connecticut's do not call list, there is no need to duplicate the enrollment on the federal level. I hope they soon come up with a do not spam email list and a do not pop-up law to stop those annoying pop up ads we are bombarded with as we try to get our work done. If you have not enrolled, it is free and here is the contact information on how to do so:

Federal List <http://donotcall.gov/>

Federal List 1-888-382-1222

State List <http://www.state.ct.us/dcp/nocall.htm>

State List 1-800-842-2649



## Maine is leading the way in Health Care Cost Controls

The state of Maine is spearheading an effort to keep drug costs under control for elderly and poor citizens. It disgusts me that some drugs sold today cost \$25.00 per pill. This is a case of the drug companies raping and pillaging the American public. Just recently Pfizer said it will stop selling its drugs to Canadian pharmacies because they in turn sell the drugs to the American consumer for less than they can be purchased for here. The local drug store is not making much money on these inflated medications, especially the pharmacies owned by local people. The national chains have a much higher margin than the local

*continued on page 3, Health Care*

## Pensions (from page 1)

Billion dollars. Today the PBGC has a deficit of 3 Billion dollars. It is amazing how quickly things can change.

A promise made to you is only as good as the promiser's future ability to pay. You truly never have any guarantees that your pension plan will come to fruition as promised. All plans are typically "negotiable" as time unfolds and employers try to reduce costs. I expect that in the future more employers, including towns, states and the government will try to eliminate the expenses of defined benefit plans and move towards 401(k) type plans. As this happens, more responsibility is in the hands of each individual to secure a stable retirement.

If you have a plan through your employer or own one personally such as an IRA, SEP, SARSEP or SIMPLE plan, there is nothing to worry about. All of the assets will be there for you and will never be negotiated away. You just need to be sure that the account balance will some day provide you with ample, guaranteed, supervised income to last your lifetime. The nice part about personal plans is that when you are done with them you can pass the balance on to your heirs, something you cannot do with a traditional pension plan. If you have a pension plan you will need to make decisions on survivor payout options, something we should discuss before you make that decision. Call with any questions.



## Family Limited Partnerships Under Fire

A very popular estate-planning tool has recently been successfully attacked by the IRS. People will typically try and reduce the value of their estate by placing assets in this trust where there are multiple owners and limited liquidity. This limited liquidity in theory provides a reduction in asset value and ultimately less taxation. In May the tax court ruled that the "reduction" in value of assets placed in the FLP (family limited partnership) was illegal. Be careful if this is a tool you or anyone you care for is using. Call the office if you would like more information.

## Reducing Your Property Taxes

Connecticut is notorious for having very high property taxes. Here are a few ways you may be able to stop the bleeding and get your property taxes reduced – if you qualify. If you are age 65 or older you can likely have your property taxes "frozen" and reduced to help with your retirement status and being on a "fixed" income. If you are a veteran of the armed forces, you are entitled to tax advantages for serving your country. I hope all of our young men and women return home safely from the mission in the Middle East and other areas of the globe where we are acting as global police and peacekeepers.



## "Hot Wheels"

A report from the insurance institute for Highway Safety recently released a list of the vehicles most likely to be stolen. This should be considered if you are or anyone you care about is in the market for a new vehicle. Here is the list of most stolen models in the 2000 – 2002 model years. The results are claims per 1000 vehicles insured.

<u>Make/ Series</u>	<u>Claims</u>
Cadillac Escalade 4WD	10.3
Dodge Stratus	8.7
Mitsubishi Mirage	7.2
Jeep Wrangler 4WD	7.2
Lincoln Navigator 2WD	6.6
Dodge Intrepid	5.8
Lincoln Navigator 4WD	5.7
Dodge Ram 1500 series	5.6
Ford Expedition 2WD	5.6
Chrysler Sebring	5.5



# NOTEWORTHY NEWS ! ! !

continued from page 1



Congratulations to Hank & Rosemary Gancos for winning last months quiz. (Rosemary did all the work) They enjoyed Dinner at the Outback Steakhouse in Southington with Will & Sheila Cummings!

If anything special occurs in your life, good or bad, be sure to notify the office and you'll be included in the noteworthy news section of the newsletter. Should the news require advice, you'll certainly get it.



## CALENDAR OF EVENTS

### FINANCIAL CONCERNS FOR RETIREMENT SEMINAR

PLACE: THE SILO, MAIN STREET FARMINGTON, CT

TIME 6:30

DATE: SEPTEMBER 16, 18 & 23

Educating people on financial issues. This seminar series is for people who are close to, planning for, or already retired. It is also for those who have recently lost a job through layoff or job transfer. How to increase returns without increasing risk. How to increase your monthly income. Beat the investment returns on CD's. *(Last time someone told me they were renewing their CD, they had to pay the bank 1.5% annually for that privilege ☺)* What to do with your pension plan? Stop the bleeding on your investment portfolio. Stop paying taxes on your social security income. How to deal with the issues of long-term health care.

### STOCK MARKET STRESS RELIEF

Places: New Britain High School 9/23 9/30 & 10/7

Wethersfield High School 10/30 11/6 & 11/36

Learn how to make money in the markets and avoid the pitfalls of chasing performance and technical analysis. Learn how asset allocation will provide safety and security in your portfolio. Avoid the losing strategies and protect what you've worked a lifetime to accumulate.

### HOW TO PRESERVE & INCREASE YOUR WEALTH IN THESE TURBULENT TIMES

Places: Thomaston High School 10/2 & 10/9

Terryville High School 10/14 & 10/21

If you or anyone you know would like to attend any of the events, contact Kari at the office to get your invitation and tickets now. Please respond quickly as seating is limited. Each class requires a fee to the town that is hosting it. Call the office for more details on how to enroll for any of the classes.

## Health Care (from page 1)

pharmacies. The plan, called Maine Rx, will allow the state to buy drugs directly from the companies at a sharply reduced rate and if the drug companies want access to the 275,000 consumers of the drugs, they'll have to agree to it. This must infuriate the people in the corporate boardrooms at the drug companies. I believe that drug companies are forgetting their role with the American public. Is it to help people get well or to squeeze every nickel out of each and every one of us?

Health care costs in general have been rising at 12-15% each year for the past six years. Perhaps it will take Hillary Clinton to threaten national health care again before the drug companies and insurance companies wake up and realize that the bleeding must stop soon.

My wife's grandfather lives in Maine and I often harass her side of the family with the following joke: What is the most popular pick up line in Maine? Hi there, .....nice tooth !!!!



## Chess 101

When you plan a strategy for saving enough to put your child, grandchild or loved on through college it is important to realize it is a chess match. There are ways to "hide" your assets so you can qualify for financial assistance. If you don't know the rules of the game, you certainly cannot play it well. There are assets you can have millions of dollars in and still get grant money from the government and colleges. It is important to begin this process when the children are as young as possible. If you or anyone you care for needs more information on this, call the office and I can prepare a customized plan so you'll be able to "check mate" the system.



## MONEY QUIZ

LAST MONTHS ANSWER IS THE MAGIC PENNY; THE VALUE OF THE PENNY IS \$5,368,709.12

- You are counting your money, one penny at a time. You happen to be a very wealthy individual and your net worth is \$3,001,918,619.91 How many days will it take you count your fortune if you count one penny every second? You count every second, without interruption, 24/7 until you are through. There are no holidays, no vacations and no breaks. (you better hold it or go before you start)

The first person to call the office with the correct answer will win a free dinner for you and a guest at the place of your choice.



## Gasoline Prices Going Gangbusters !

In the past several days the price of gasoline has increased 20 cents per gallon. Why? There are many, many factors but I would like to look at the fear and greed component. Petroleum products are commodities, traded on the Chicago Mercantile Exchange. Arguably the most efficiently priced commodity on the planet. Since they are traded on open markets, fear and greed play an important role in the short term. The blackout, political unrest and the threat of war in different parts of the world all contribute to the emotional price fluctuations of petroleum products. The mercantile exchange operates just like the stock exchange but we are accustomed to steady prices when it comes to gasoline. We need to change our expectations moving forward and realize that the fluctuations of the markets apply to petroleum products.

## Annuity Misinformation

In the past several weeks I've been getting constant reports of misinformation on the level of protection gained by placing assets in annuities. The common misconception is that any assets placed in an annuity are "protected" from a nursing home or title 19 should the owner need care. This is absolutely fallacious information and needs to be corrected immediately. An annuity is an asset like any other and is includable in your asset list when determining your eligibility for title 19. If your annuity is placed in an irrevocable trust, there is protection available if a 60-month look back period unfolds prior to your needing care. The only way to protect your assets is with a plan from the CT Partnership. It is always a toss up between control and protection. If you have control of the assets, they are not protected. Even if you give up control, as in the irrevocable trust example earlier, there is still the 60-month look back period to satisfy. Annuities do provide a certain level of protection in a bankruptcy, but not against title 19.

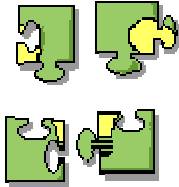
## I'm thinking about....I've just done?

As financial options flow through your life, it is very important you make good decisions since the amount of money that flows through your hands in your lifetime is finite. Be sure to use me as a resource when you are thinking about things of a financial nature. I would rather you call in saying, "Mike, I'm thinking about doing x,y or z" rather than the next time we speak you tell me, "Mike, I just did x, y or z." Many of the things you believe to be true about your money may in fact not be true. Good advice and a conversation can be just what is necessary to avoid making a big mistake.

## **Indexing fact & fallacy!**

### **Inspirational Quotes**

- If history were the key to riches, the Forbes 100 richest people would consist of librarians, Warren Buffett
- The supreme happiness in life is the conviction that we are loved, Victor Hugo
- People with goals succeed because they know where they are going, Earl Nightingale
- Snowflakes are one of nature's most fragile things, but look what they can do when they stick together, Vista Kelly



Just about every financial publication touts indexing is the way to go. The argument is that indexes or the market in general, are superior to managed investments. Is this true? It depends on the time frame selected and in the long term, no. The reason for this belief is because over the last 20 years the indexes have delivered superior returns to many money managers. If you take a longer time frame, such as the past 60 years, the results are the opposite. People generally have “rearview mirror” mentality when it comes to investing and they buy what did well in the past, not what is positioned to do well in the future.

When you go to the grocery store shopping for apples and you walk up to the counter where all the apples are, do you blindly choose 10 apples? Likely no. I am going to choose the 10 best apples, not 10 blind apples.

People feel the indexing method is “cheap.” It is just that, cheap and you get what you pay for. Part of the problem in this country is people get financial advice without directly paying for it and often they get what they pay for. If you or anyone you care for would like to discuss indexing in more detail, call the office.

If you would like anyone you care about to begin receiving this newsletter, tell us who they are and they will be included on our mailing list. They’ll also get a note with their first issue telling them you suggested they receive the newsletter. They certainly will benefit from this information and I’m sure they’ll appreciate you thinking about them and having their best interests at heart.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Call us with the information or  
Fax this into the office at 860 673 5177 or email  
[sarah@fiscalwisdom.com](mailto:sarah@fiscalwisdom.com) or  
[mike@fiscalwisdom.com](mailto:mike@fiscalwisdom.com)

# Michael E. Chadwick, CLU, ChFC, CFP®

Co – Host of “You’re Money Advocates”

A Live Financial Radio Call In Talk Show

Tuesday Evenings 6:00 – 7:00 pm - AM 1320 WATR (203) 757 1320

**Sarah Morton**

**Executive Assistant**

[sarah@fiscalwisdom.com](mailto:sarah@fiscalwisdom.com)

Please think of us whenever you or someone you care for needs the following:

- Stock option analysis, diversification
- Pensions - qualified and non qualified
- Family Protection Strategies
- Life Insurance
- Investments & Investment Advice
- Business Protection & Succession
- Retirement Plans
- College Funding
- Tax Savings Strategies
- College Financial Aid Strategies
- Required Minimum Distributions
- Debt & Cash Flow Management
- Employment contract negotiations
- Settlement option analysis
- Financial Advice - hourly or annual retainer
- Fee based investment management
- In depth portfolio analysis
- Estate & Income Tax Planning
- Distribution of Assets – IRA, 401(k), etc.
- Retirement Income–Guaranteed or variable
- Disability Income Insurance
- Widow/Widower Assistance
- Nursing Home Asset Protection Strategies
- Long Term Care Insurance & Issues
- Key employee retention strategies
- 401(k) & Retirement Plan Rollovers
- Philanthropic gifting & charitable planning
- Trust, inheritance and foundation planning

## Mike Chadwick’s Money Matters

199 Main Street  
Torrington, CT  
06790

15 New Britain Avenue  
Unionville, CT  
06085

