

The Website is Alive

After months of construction (you'd think we were making the extra lane on I-84 through Waterbury ☺) the website is finally up and running. Please visit us at <http://www.fiscalwisdom.com> From our site you'll be able to access your accounts, learn about the practice, sign up for this newsletter, request information and appointments, get a financial speaker for your audience and participate in our live weekly radio show.

Our content is like everything else – straight forward and easy to understand. We've provided a lot of resources by linking to other areas of the web that have valuable information for you. Please give us feedback on the site – let us know what you like and use as well as what you don't find helpful.

A special thanks to Infotree Web Services, who built our site for us. They endured a long, grueling process of wrangling with the myriad of regulations to make the site legal.

The web is a tremendous resource for everyone

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Behavioral Finance



An industry leading research firm, DALBAR, reports that investors have certain behaviors which lead them to buy, sell and switch in and out of mutual funds. They just produced a study called the Quantitative Analysis of Investor Behavior (QAIB) and I'd like to share some of the main points with you so you'll hopefully avoid these pitfalls.

The investor's behavior is the number one determinant in performance over the long haul as it relates to investments. There are terms that define the pitfalls many of us fall into and here are there definitions. "Loss aversion" is expecting to find high returns with low risk. Unfortunately these two things are diametrically opposed and do not exist. If you hear of such a thing, run in the opposite direction. "Narrow framing" is making decisions without considering all of the implications. I see this not just in finance, but in many areas of our lives. Consult a professional prior to running wild with your nest egg – or more importantly someone else's. "Anchoring" is relating to familiar experiences – even when they're inappropriate. If your neighbor is a successful investor you won't necessarily be too – tread with caution here, it's comfortable and natural to anchor – but it'll kill your investment results. "Mental accounting" is where people take undue risk in

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today. This tool can cut two ways – it’s a great resource because we all have information at our fingertips. The flipside is that as it relates to finance, and many other topics, there is too much information. So much information that it is truly overwhelming. You can get information overload and then either do the wrong thing or be so confused you’re paralyzed and do nothing at all. Our website will tell you everything you need to know about us as well as link you to specific sites of the web where you’ll find out a lot about the following:

- Certified Financial Planners® – what makes this group of advisors different from the rest?
- Investment information – we’ve got all of the regulatory bodies such as the NASD, SIPC, SEC (all acronyms of course – mandated by the department of acronyms ☺) – we’ve also got many of the more popular exchanges – stock exchanges, mercantile exchanges – both in the USA and globally.
- Protection – learn how insurance works and see it in action – learn how to protect your hard earned savings.
- Printing paper – see how the US Mint works and how the treasury department makes our cash.
- Bond calculator – if you own EE, E, H, HH bonds there is a wonderful section of the site where you can plug in your ID #'s and instantly see what you paid, what your bond is worth, the interest you’ve earned and your current interest rate – then when you’re done it’ll give you a nice one page report so you can see it all together ☺
- Colleges and financial aid – learn to play this game better – remember, he who knows how to play the game the best wins – we’ll help you win.
- Berkshire Hathaway – a must read is the annual report from investment guru

Warren Buffet – his annual reports are stored here for the past decade +.

- Taxes – learn how save money as well as understand the rules
- Cars – my vice and weakness – study them, see which ones are reliable and which ones pull themselves into the garage as you drive down the road.

Who Makes The Car?

In the automotive world it often seems there are a plethora of manufacturers out there – that is partially true. Although there are many nameplates in the world, people are often confused by who owns whom in the business of cars. These manufacturers are often monster corporations and grow through acquisition – when this happens one manufacturer can heavily influence or completely change an old brand.

General Motors, aka GM owns Buick, Chevrolet, Pontiac, Hummer, Saab, Holden, Oldsmobile, Saturn, Cadillac, Vauxhall, Opel, 37.5% of Isuzu, 20% of Fuji (who owns Subaru), 44% of Daewoo, Holden, Opel, and a % of Suzuki & GMC.

Daimler Benz (formerly Mercedes Benz until they merged with (or were acquired by Benz) Chrysler) owns Dodge, Chrysler, Plymouth, AMC, Eagle, 37% of Mitsubishi, Smart, Jeep, Mercedes & Maybach.

Fiat owns Fiat, Alfa Romeo, Lancia, Maserati, Ferrari & Iveco.

Ford owns Ford, Lincoln, Mercury, Volvo, 33% of Mazda, Aston Martin, Land Rover & Jaguar

BMW owns BMW, Mini & Rolls Royce

Fuji Heavy Industries owns Subaru

Hyundai owns Hyundai & Kia

Toyota owns Toyota, Scion, 51% of Daihatsu & Lexus

Honda owns Honda & Acura

Nissan owns Nissan, Infiniti, Renault & Datsun

Porsche owns Porsche – in bed with VW

Volkswagen (VW) owns VW, Bentley, Audi, Bugatti, Lamborghini, SEAT & Skoda

Noteworthy News ! ! !

Congratulations to Mike & Ann Garrity on the birth of their daughter Kendall Ann on June 7th. ☺

Congratulations to Dr. Moshe Laub on the opening of opening of his new Chiropractic practice in West Hartford. ☺

Congratulations to the Cassullo family on the purchase of their new home. ☺

Congratulations to the Pinette family on the completion of their new home. ☺

Congratulations to Mark & Marie-Alana LaChance on their recent marriage. Have a wonderful honeymoon. ☺

Our Condolences to Blaine & Renee Rogazinski and family on the loss of their 5 year old son Noah – This is beyond words – keep the family in your prayers. ☺

How Much House?

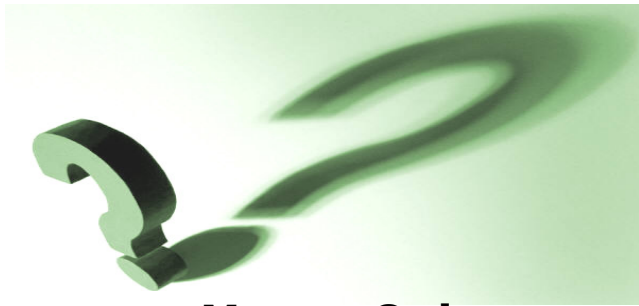
In our society today there are a lot of issues that will lead us to ruin, the top one is buying too much house. Especially in the affluent areas of Connecticut people feel the need to own 6000 square feet of status. The lending institutions will give you enough mortgages to hang yourself – never take as big of a loan as you qualify for. The ideal situation is to only borrow 50% or less of what you qualify for. Remember when you buy a home the obligation isn't only paying the mortgage – its taxes, insurance, repairs, maintenance, etc. The list goes on. Many people are surprised that over a lifetime you'll pay a lot more than the purchase price of your house in the "extras". Call before you dive into a house. ☺

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certain areas and avoid rational risk in others. This is akin to keeping your investments in fixed accounts and visiting the casino to make money – you wouldn't believe how much of this we see – and from what professions. ☺ "Diversification" is seeking to reduce risk, but simply using different sources. This is where people own 11 different mutual funds – all doing the same things. More isn't always better and be sure you are truly diversified within your holdings, not just with a lot of holdings. "Herding" is where you copy the behavior of others even in the face of unfavorable outcomes. Perhaps selling when things get ugly and buying what feels good – did you buy real estate in last few years – if yes you're guilty. "Regret" is when you treat errors of commission more seriously than errors of omission. What you didn't know can not only hurt you – it can cripple you financially. "Media Response" is when people react to media announcements. When quarterly earnings or splits come out – is a company really worth 5, 10, 15, 20% more or less than it was the day before? NO! Don't fall prey to the media response. Lastly – "Optimism" is when people believe that good things happen to me and bad things happen to others. This one will bankrupt you too – akin to the belief that casinos don't make money and lottery is not a voluntary income tax.

All of these behaviors will not only erode your savings and cripple you financially – they'll make the rest of your life miserable too. Our lives are so much better if there are no financial stresses. The stress comes from the lack of a plan. We'll help you moderate your behavior and do what needs to be done intellectually and economically, not emotionally. If you or anyone you love is in need of a good financial plan, feel free to send them in and we'll get them on the right track.





Money Quiz

Last month we didn't have any correct calculations - sharpen those pencils, tune those calculators and get ready to figure. The actual number of modifications to the tax code since 1986 was 10,000. Think of it as the politician full employment act. This month's challenge is to tell us what percentage of 2004 home sales were for second homes - bought either for investment or vacation purposes? The first correct answer will win a well deserved, pleasant surprise - on us. Good Luck !!!



Ratios Smatios

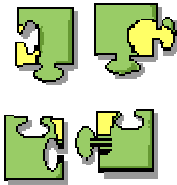
Ratios are a big deal in finance. There are a whole lot of various ratios to help measure an investments price, performance, etc. One of the basic ratios often discussed is the P/E or Price/Earning ratio. This is found by dividing the earnings of a company by its price, typically on a per share basis. The lower the P/E ratio is the "less expensive" the investment is according to value investment theory. This is a neat ratio as it relates to prices - when the NASDAQ hit 5049 it had a P/E of 172. The index closed this June at 2090 and had a P/E of 30. The S&P 500 has a P/E of 20 in June 2005 and was at 30 in March 2000. This formula tells how much the investor is willing to pay for \$1.00 of corporate earnings. The historical P/E for the market has been 14 - 16. Today the S&P is at 20 and the NASDAQ at 30. "Value" isn't real apparent here. It makes sense to see if what you are buying is indeed priced at a discount or a premium. Avoid the premiums. Indexes cannot be invested into directly.

Pensions No More?

The airline industry is reeling from the events of the past few years - now United Airlines is about to give their pension plan to the PBGC. (Pension Benefit Guaranty Corporation) The PBGC is a government created insurance fund that takes defunct pensions and keeps them alive - it doesn't pay the same benefits that a regular pension would - but it does pay. This move will allow United to effectively walk away from a pension plan that is almost \$10 billion dollars under-funded. That's right, 10 billion. You and I are now going to be paying the bills for that pension plan. It is high time Congress takes action by freezing the PBGC's current liabilities. In the late 90's, this Government insurance tank (the PBGC) was in great fiscal health - the markets were booming, pensions were fine - many corporations didn't make the contributions they should have when the markets were pumping out 20+% each year. In the past few years there have been so many companies that have done the same thing the PBGC is now itself under-funded. Where is that money going to come from? Look at your checkbook - that is the source of the revenue. The PBGC is now responsible for 3479 pension plans and 518,000 retirees. Future liabilities total 1,061,000 people. The maximum that the PBGC will pay is 3801.14 monthly or 45,613.68 annually for a retiree at age 65. The increase grows if the individual retires after age 65. It is too easy for companies to just toss the plan to this default insurance company. The bargaining that goes on between employee and employer isn't really true - the knowledge that if future liabilities cannot be met causes for unfair negotiations. Why bother making it real - let's just negotiate the best thing we can for today and if the plan fails 10, 20 or 30 years down the road, it is now someone else's problem. If this safety net didn't exist anymore and companies were required to make contributions regardless of stock market conditions, we wouldn't have this growing problem. Look for pensions going the way of the dinosaur as the next few decades unfold - are your ducks in a row?

Inspirational Quotes

- The love we give away is the only love we keep. Elbert Hubbard
- Until you make peace with who you are, you'll never be content with what you have. Doris Mortman
- Anything I've ever done that ultimately was worthwhile, initially scared me to death. Betty Bender
- Always be a little kinder than necessary. James M Barrie
- You cannot get ahead while you are getting even. Dick Arme
- We are what we repeatedly do. Excellence then, is not an act, but a habit. Aristotle



Interesting Statistics

- In 1988 a Pennsylvania man won 16.2 million dollars – he now lives entirely on social security.
- 37% of single women are more likely to be charitable donors than men.
- 60% of women say they are saving less due to increasing health care costs.
- The number of working American's has risen 146% in the past 20 years.
- The 1940 tax return form 1040 had 2 pages of instructions. (can we get that back, ☺)
- 23% of the American population believes withdrawals from 401(K) plans are tax free. (I wish)
- In 2003 the average life expectancy for an American was 77.6 years.
- A recently sold NYSE (New York Stock Exchange) seat only fetched \$1,000,000 – a nine year low. (my heart bleeds, you?)
- Since 1897, the DOW Jones industrial average has fallen 35 times. ☺

If anyone you care about would benefit from receiving this newsletter, tell us who they are and they will be included on our mailing list. They'll certainly appreciate you thinking about them and having their best interests at heart.

Name _____

Address _____

City _____ State _____ Zip Code _____

Name _____

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City _____ State _____ Zip Code _____

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

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