

Money Matters

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Advising, educating and inspiring you to a better life

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The DOW trades 3 players!

There has been some changes made to the Dow Jones Industrial Average (DOW) or (DJIA.) We hear about the DOW every day in the newspaper, on the evening news, on the radio, in magazines. Wherever you turn the DOW is referred to as THE stock market. Not many people know exactly what the DOW is. The DOW is just 30 stocks, 30 “blue chip” stocks. The DOW is meant to represent the dominant companies in each sector of the economy. The DOW was originated in 1896 and had 12 stocks. There are now 30 stocks and only one of the original 12 is there, the company that “brings good things to life,” GE.

The new players in the DOW are Pfizer, Verizon & AIG. Pfizer is a massive drug maker, Verizon the phone company with the annoying commercials “can you hear me now” and AIG is an insurance and financial services conglomerate. They replaced older components Eastman Kodak, AT&T & International Paper.

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.37% for you, 18% for them

This is the attitude that banks in America have. If you would like to keep your hard earned savings on deposit with them, they'll gladly pay you .37% interest (maybe a bit more if you have a benevolent bank). If you would like to borrow some money in the form of a credit card loan, the interest rate will be 18% (+/-). These are averages of course; some cards are lower and others higher. Various other loans will allow lower rates – a personal loan has a lower rate than a credit card and a mortgage even lower. The point is that there is always a “spread.” The spread is what the bank earns minus what it pays. Be careful not to have too much money in liquid bank accounts where your money isn't working for you – it's working for someone else. Bank investments are a zero sum game and have been in all time periods with the exception of a brief time in the early 1980's.

The high interest rates charged by credit cards is a non issue if you pay your balance in full each and every month. Credit cards can actually be a very useful financial tool if they have most or all of the following consumer advantages: grace period for purchases, no annual fee, year end categorized statements and balance transfers treated as purchases. If you are **disciplined**, they are a very good tool. Betsy & I use a Discover card for all of our day to day purchases. Everything from gas, groceries and health care to toys, diapers and the occasional splurge for ourselves. Each year discover gives us “cash back.” The bank isn't really giving it, they are charging the merchants and

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The current members of the DOW are:

- Minnesota Mining & Manufacturing (3M)
- Alcoa
- Altria (Formerly Philip Morris)
- American Express
- American Int'l Group (AIG)
- Boeing
- Caterpillar
- Citigroup
- Coca Cola
- DuPont
- ExxonMobil
- General Electric
- General Motors
- Hewlett Packard
- Home Depot
- Honeywell Int'l
- Intel (Intel Inside stickers on your computer)
- IBM
- J.P. Morgan Chase & Co.
- Johnson & Johnson
- McDonalds
- Merck
- Microsoft
- Pfizer
- Proctor & Gamble
- SBC Communications
- United Technologies
- Verizon Communications
- Wal-Mart
- Walt Disney



A Ruler or an Odometer, A Day or a Year?

If you were going to travel by car from Connecticut to California you would of course get a map, chart your course, plan your stops and estimate your total travel time. In estimating your travel time you will likely calculate how many miles you'll travel, the number of hours you'll drive daily and your average speed. Assuming your average travel speed is at the speed limit of 65mph (yeah, right) and the distance is 3000 miles, you'll be traveling for 46.15 hours. Now in those 3000 miles there are 1,536,000 feet. What tool would you use to measure the distance, a ruler or an odometer? Well of course you would use the odometer! The prudent man would never use the ruler as a measuring tool – it would be a waste of time and energy.

You are on a similar journey, the financial journey of life and likely tracking your progress with the wrong measuring instrument. The average person retires today at 65 years old and lives another 27 years in retirement. If you begin your working career at 22 that gives you 43 years of working days and 27 years of retirement days. That time period has 23,360 days in it. In measuring your progress towards your financial goals would it be prudent to use the day or the year as the measuring tool? I submit that most people use the day as the tool. Most of the population "watches" what the stock market does every day. People worry if the market was up, down or sideways for the day. As if the day is going to have any meaningful impact on their future. What time period should you be using in measuring your progress towards your goals, the day or the year? Try using the year and enjoy your life in the interim.

NOTEWORTHY NEWS !!!



Congratulations to Sean & Brooke Cheney for winning last months quiz. They will enjoy dinner on us.

Congratulations to Margaret Leicach on the birth of her granddaughter Olivia Renee Alleyne on March 23rd.

Congratulations to UCONN for winning both the Men's and Women's NCAA Basketball championships. It's difficult to believe I went to UCONN. When I went, prior to the athletics being dominant, it was the school to go to if you couldn't get into your school of choice. Now it is the school of choice and one of the best public universities in the nation.

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



ACTUAL IMPACT OF THE DOW

Now that you know who the new players are in the DOW, lets look at just how important that index is in the grand scheme of things. The DOW represents the 30 "bluest of the blue chips" and there are over 35,000 stocks that trade on the various exchanges in America. Those 30 stocks represent .0007 (that's triple "0" 7, not double "0" 7 – nothing at all to do with James Bond) percent of all the stocks traded on the various exchanges in America.

Media sources will cite daily, weekly, monthly, annually and sometimes on the hour what the DOW is doing. They are focusing their efforts on the vast minority of the stocks out there. What about the other .9993 percent of stocks available?

When the DOW is going up, people are usually happy and vice versa. Regardless of what the DOW is doing on its weekly roller coaster of activity, there are good investment opportunities in the other .9993 percent of stocks that are available. Don't let news flashes dictate your mood or investment behavior. It is like saying the NBA is in major turmoil because an all star player is on the disabled list.

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forwarding it to us. Each November we get \$300.00 - \$400.00 to use towards holiday shopping. During the course of the year, we used the banks money, interest free for between 30 – 60 days each month. This is exactly how you should behave if you use credit cards regularly. The banks are hoping you do not and you accrue balances, never pay them off and continue to pay interest. The banking industry is moving towards taking away some of the benefits of credit cards for consumers who know how to use them. The banks are beginning to shorten grace periods and raise fees hoping to punish those who misuse credit cards in the wallet. Many cards have instituted new annual fee's (don't carry a card if it has an annual fee) cut grace periods from 30 to 20 or 10 days (21 day average) and raised fees for exceeding credit lines or paying late. Be careful you don't get suckered into these traps. The typical notice will be sent to you and printed in a size five font (this is five font size type) and you will likely discard it with the trash. How much of any document would you read with that size type? If you cannot stay on the profitable side of credit cards, avoid them like the plague. Other viable alternative credit card options are using debit cards, paying cash or using the good old envelope system. They all work and are great alternatives if you tend to get in credit card trouble, paying interest to anyone other than yourself. 70% of the population isn't careful with their cards and that's why they are so profitable for the banks. Has a day gone by in the last ten years when you didn't get a few credit card offers in the mail? You wouldn't get them unless they were very, very profitable for the banking industry.





MONEY QUIZ

ARE YOU IN THE KNOW ABOUT YOUR DOUGH?

- 1) What is the true cost of smoking today? Assume you have a 17 year old who sadly gets addicted to smoking. This individual smokes a pack a day until age 65. The price of a pack of cigarettes is currently \$4.50 and that price inflates at 10% annually (Assuming they don't add any more "sin" tax.) The money spent on cigarettes could have been invested at 9% interest. What is the total cost of this person smoking from age 17 to 65?

Email, fax, call or mail your answers to the office. The first correct answer will win a free dinner or a free massage, your choice.

The Cost of Waiting

What is the price associated with waiting to save and invest? Lets take a look at two people, one who begins investing at age 25 and another who begins to invest at age 40. If the 25 year old saves \$500 per month until age 65 and gets an average return of 10%, she will have accumulated \$2,921,111.00. She saved a total of \$240,000.00 and will have made \$2,681,111 in interest.

When the 40 year old begins saving, her \$500 per month will grow to be \$649,090.00. She saved a total of \$150,000.00 and made \$499,090.00 in interest. That's a far cry from the 2.7 million in interest that the younger investor made. In order for the 40 year old to accumulate the same amount as the generation X'er, he'll need to save \$2250.17 per month. That's a total of \$675,050.00 saved to accumulate the same \$2,921,111.00. The cost of waiting here was \$2,272,021.00. What are you waiting for?

On Attitude & Health

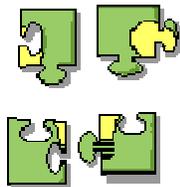
Here is one area where belief is a factor, a huge, possibly immeasurable factor. Many people in our society have illnesses, issues, problems and sicknesses that must be faced. How important of a role does attitude play in our personal health? I am convinced that it plays an integral role in what may or may not manifest itself in your physical being. So many people in our society are on prescription medications for things that just a few years ago were a non-issue. While the technology in today's drugs is truly a wonder, are they always necessary? Many people are looking for the "magic bullet" or simple pill they can take that will solve all of life's problems. Most recently it is the weight loss drug(s). Take this drug and you'll soon have the figure of a super model or a body builder. Come on, that's a fallacy.

Why do certain ailments and diseases hit certain people? You cannot control what happens to you, you can only control your reaction to it. Do you typically take the optimistic or pessimistic position on things? This small mind set may be a big player in your overall health. To me, life is a present – a gift to enjoy and help others. I believe that what comes around goes around and we all have to do the right thing. I see many people each week and sometimes situations are truly heartbreaking. It is befuddling to me how some people are able to handle blows in stride while others are knocked down by the slightest bump in the road.

As time unfolds, it seems as though the technology of our western medicine is being integrated with the "old school" medicines of various cultures around the world. Many of these old school medicines try to give the body "balance" or "harmony" that will ultimately heal the ill. Attitude is an integral ingredient in all of life. Are there any benefits to a bad attitude? There are unlimited benefits in a positive attitude. What attitude do you choose each day when you wake up in the morning?

Inspirational Quotes

- The human spirit cannot be paralyzed. If you are breathing, you can dream, Mike Brown
- The indispensable first step of getting things you want out of life is this: Deciding what you want, Ben Stein
- If you keep believing what you've been believing, you'll keep achieving what you've been achieving, Source Unknown
- You are either the captive or the captain of your thoughts, Denis Waitley
- What we think or what we know, or what we believe is, in the end, of little consequence. The only consequence is what we do, John Ruskin



Real Estate Storm Clouds

As I see each of you the same story has been ringing in my ears, over and over – the price of real estate. It is plain old expensive today. \$350,000 for a building lot? \$250,000 for a 1000 square foot starter home? This is nuts. There is another index, the Dow Jones Composite REIT (Real Estate Investment Trust) index whose job is to “track” the average of many real estate investment trusts. The REIT index lost 7.9% in two days in April. The largest decline since the index was created back in 1992. I feel the real estate market is much like it was in 1989, grossly overvalued. Chances are you know someone who bought property in the late 80's or early 90's, is that property worth more today than when it was purchased? I hope so for their sake. This isn't a message to worry about the price of your real estate daily, just understand that the price fluctuates like anything else. There are only four times when real estate is appraised, when you buy it, when you sell it, when you attempt to mortgage it and when the town wants to raise you taxes. There may a storm around the corner and it may just rain on real estate. Make sure you have your umbrella handy.

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. I'm sure they'll appreciate you thinking about them and having their best interests at heart.

Name _____

Address _____

City _____ State _____ Zip Code _____

Name _____

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