

Letting Go

We carry a lot of baggage with us in our lives and I'm not talking about shopping bags. Not only do we have the physical baggage that comes along with life itself but perhaps more importantly is the mental baggage we all carry. This mental baggage is difficult to see as it slowly creeps up on us over time and it accumulates. The impact over time is big and sometimes if not dealt with properly people can crack. Here are some of the things many of us do on a daily basis without even realizing it that likely hurt us without our even knowing it.

We don't always need to be right. None of us are perfect and the quicker we admit that and move on the better off we'll be. I often joke about how all knowing I am, but in reality I'm not always right, not even close. If I were we'd all be Billionaires as I'd know exactly where to place every nickel for maximum performance. Humility goes a long way in life and that approach is likely healthier over the long run. Given a choice, I'd rather be kind than right. I can always be kind, I cannot always be right unfortunately.

Understand what you can control and what you cannot. We cannot control what happens to us, but we can control our reactions to it. By letting go of the things that happen, it allows us to focus on the best response. Don't fight the world, things happen all day every day that are beyond explanation. Enjoy the ride and do what you can that helps improve outcomes.

Many times we'll blame others for things we have or don't have or feelings we may have or do not have. All of this is nonsense, take responsibility for your life is the quickest way to getting on with it. It's nobody else's problem and only you can fix it.

Talking to yourself is something we all do daily and it can be constructive or destructive, your choice. If you believe you can do things then you'll do them, if you constantly tell yourself you cannot do things and fill your mind with negativity that's where you'll end up, doing nothing and very negative. Eckhart Tolle said it best – "The

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Valuations Matter

What value one puts on something is the key indicator of whether or not it should be bought. Let's say you're looking for a good used car and you find the perfect one. We suggest a used Japanese name with low mileage as old as you're comfortable buying, they tend to be the most reliable and reasonably priced. If the book value for that car is \$8000.00 and the seller says (s)he'll sell it for \$6000.00 you will probably take it in a heartbeat. As long as nothing is wrong with it and the deal is legal there is little downside to that deal. The valuation is what moved you, it was a good deal. The same can be said for clothes, computers and anything else you buy, we all want a good deal.

If someone offered you something that was priced over the current stated value and defined as expensive would you still buy it? Most would say flat-out no, but some would still entertain the offer, depending on what expensive meant to seller, the buyer perhaps wouldn't think that was expensive. There is a school of thought that thinks its okay to buy things if they are expensive as long as you can sell them for even more. That works just fine, as long as you know how to do it. This is often how specialty retail is done. Many examples can be had. Look at auctioneers and junk dealers; they pay a lot for things some people would throw away, only because they know that when they go to sell them to the right audience, the prices demanded are much higher than what they paid so the margins are healthy.

We can also find this happening in specialty businesses such as art, stamps, antiques, and collectibles of any type often fit this bill. This would be better in the art world if the high prices were in demand while the artist was alive. Sadly for most artists, they must be long gone for the world to appreciate their magnificent creations.

We find this can happen with geographic diversity as well. What someone may pay for something in the south or in the country may seem high, but if it is then imported to a city or major metro area, its chump change compared to what can be demanded in the highly populated areas.

Most of us live our lives according to these principles and stick with trying to get the best possible values for our families and loved ones. People are people and the psychological side of us will never change. Valuations can get out of control quickly when emotions run high. We call this phenomenon bubbles and we've seen our fair share of bubbles in

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mind is a suburb instrument if used rightly. Used wrongly, however, it becomes very destructive.”

Do you spend more time complaining or complimenting? I'd stick with the latter route to gain maximum happiness. Complaints suck the life energy out of all of us and compliments lift us up. We could all use a little pick me up so rather than knocking someone down lift them up.

What a critic we've all become. We tend to criticize things that are unlike us, but try to see things from the lens of the other person. There is positive in everything, we just need to see it and be open minded enough to allow that to happen. An old American Indian quote sums it up – “Never criticize a man until you've walked a mile in his moccasins.”

Let's stop this business of keeping up with the Joneses and being someone we're not just to impress others. It's not healthy for any of us and nobody you love cares a hoot about what house you live in, what brand of bag you have or your status in the world. Think about this one, we spend all of this time and energy trying to impress people we don't care about. The ones we love do not care about any of the Joneses type activities or associated status points in our every more superficial society. Let go of that need and feel the monkey quickly get off of your back!

Allow change to happen within yourself as the world changes around you. One of the things we can almost guarantee is change, so be flexible and adaptable. What you did 5, 10 or 20 years ago isn't likely to provide the same outcome in the years ahead. Many argue this could come down to months today and I do not disagree! ☺

Do not allow things that are foreign to you to scare or push you away. We grow through the process of making the unfamiliar familiar and this is a healthy expansion of the mind and body and the world around you. You can choose to hide in a hole or move on and grow, adapt and be all you can be. I'm choosing the latter every time.

The past is the past and do not allow it hold your future hostage. Many argue the past was so much better than the future but that is only one lens to look through. There are certainly more complications today, but whether the future is better or worse is up to you and nobody else. Live in the moment, it's the only moment you'll have. The past is your memories and the future is your dreams, the present is the bridge between them. Make sure you're working towards your dreams and make the future better than the past, it's up to you.

Live your life to your own expectations, not those of others. Only you know what is best for you, let the rest go and do what is right and makes you happy. Help others and you'll be happy. We're all in this world together so let's work as a big team and we'll all be better. ☺

Knight Capital Fiasco

August 1st of this year was an odd day in the markets. Many trades went rogue and securities didn't behave normally. Knight Capital is a market maker in many stocks, they're the people responsible for making an orderly market in trading stocks or ETF's or other securities on the exchanges. In addition to making markets they do what many financial firms do including trading, electronic execution strategies, sales, etc. In addition to the typical investment banking business, Knight has algorithmic trading systems, where a computer algorithm makes trades based on some advanced high tech computer program. Once written, the computer simply follows instructions and these programs can trade hundreds of times per minute or even per second.

There was an electronic trading problem at Knight that day and many securities saw massive price swings, some saw illiquidity, and circuit breakers for some of the 150+ stocks Knight makes a market for were triggered. An update to software the night before caused the systems to malfunction and cause all of the commotion.

When all was said and done there were a lot of trades that were error trades. Knight asked the SEC if the trades could be voided but no dice. Knight was on the hook for almost a half a billion dollars in rogue trades. This is a huge amount for a small firm like Knight, and in just a few days it looked like this company would experience a Lehman moment. JP Morgan to the rescue, they came in and bought a controlling stake in the company, wiping out most of the equity for existing shareholders but keeping it a going concern.

This brings to light just how much trading happens through computers today without a person on the other end of the trade. Computers working trades based on some program just to try and get a tiny profit by the millisecond have changed the fabric of the markets. Some argue that today the majority of trades are algorithmic (algo) driven and this isn't a healthy recipe for a safe and sane system for the rest of the population.

This is something that the SEC and other regulatory bodies are looking at and reviewing, but they cannot act fast enough to work on this area. The message to any company out there is to make sure your computer systems are working properly and check the systems before they're actually implemented. This likely was a pure error, but it had the impact of taking a firm out of business (almost) and ripping confidence from the markets at a time when that commodity is already running low.

We don't subscribe to the theory of algo driven trades, and we are not happy with the current state of affairs in the markets, they truly feel like a rigged game today. Economic data and market reality have never been this far apart. It'll all come back together soon, and we'll be on the watch to prevent any craziness like this from impacting you. From the flash crash to this, what is in store for us next? ☺

Noteworthy News!!!

- Congratulations to Jackie Place and her new recently built home!
- Congratulations to Renee Rogozinski on her new job with the State!
- Our condolences to the Geyer family on the passing of Charlie's mom, a wonderful woman, sister, mother, grandmother, aunt and friend.
- Our condolences to the Kolakoski family on the passing of Jay's mom Dorothy, a wonderful woman, sister, mother, grandmother, aunt and friend.
- Congratulations to the Pringle family on the birth of baby Kylie, Baby number one for the family!

Question & Answer

Ask any financial question you have and we'll address it here.

Q: How does a stop loss order work and are they a bulletproof way to protect your equity positions?

A stop loss order allows you to specify a certain price at which to sell a security. Let's say you bought GE at \$20.00 per share and didn't want to sustain a big loss on the position should it go down badly. You can specify that you want it sold at a certain named price, or at a certain price percentage from where it is now on the downside.

Let's say you put in a stop loss order at \$19.00 per share. When and if the stock falls below the \$19.00 level that stop loss order suddenly becomes a market order to sell the specified shares. In a highly traded stock like GE you'd likely get an execution at very close to \$19.00, depending on how many shares you were trying to trade.

If you were to put a 5% trailing stop loss on GE and it went down from \$20.00 right to \$19.00 it would act very much like a specified price stop order. If it first ran from \$20.00 up to \$30.00 and then started to decline, the 5% trailing stop would trigger from the highest price or 5% down from \$30.00 so you'd get order to execute around \$27.50 area. This is a nice way to allow a stock to run up if it's behaving well and to get out of Dodge should the bleep hit the fan! ☺

Stop loss orders are only active during open hours of the market, 9:30 to 4:00 daily east coast time. The after-hours market has become a much more active trading platform lately and with the globe being so interconnected, there are rare times when the stop loss orders may have gaps. If your GE stock was trading at \$18.00 after hours and upon our markets opening up, it gapped down (a gap up or down is when the shares don't go smoothly from one price point to another as they typically do when the market is open say from \$20.00 down to \$19.99 then \$19.98, etc. instead it gaps down from \$20.00 directly to \$18.00 with no stops at any points in between) that will trigger the stop loss because the price is now below the specified price of \$19.00 and it hitting the trigger price causes it to become a market order. We've had a few of these happen just lately as the gaps up and down are extreme in today's highly leveraged market.

Valuations

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the past few years. Bubbles are not a new thing; they go way back to the tulip craze in the winter of 1637. At that time tulip bulbs were the most prized thing that one could own and people were paying ever higher prices for the bulbs. When prices would go up, it was okay because the prices would keep going up and up and up. Sound familiar? This is what happens in a bubble world, until it is no more and prices suddenly collapse.

Our most recent example of this was real estate in 2007. We all know exactly what happened to that after the fact. Now we're in a world where we have a few bubbles brewing simultaneously. The most obvious bubble is in government bonds. Bonds in the USA, Germany and a few other "safe haven" places are at prices never before recorded. This is a fear trade, people are terrified about the economic situation of the globe so they pile into bonds, pushing prices up to levels that make no sense and in some instances, and people are paying the government, not getting a return, to hold their money for a while. I'd call that nuts.

Equally nuts are those who are willing to lend money to broke governments in Europe. These nuts are called bond investors. I'd argue we should rename them bond kamikazes as that is what they're really doing, making a suicidal bet with their money. This is happening every day to my absolute amazement and they are still getting suckers to buy their bonds despite the endless stream of issues and solutions to come out of the area. There is no solution is the bottom line. You cannot fix a debt problem with more debt. Those buying the bonds today need to have their heads examined, there is absolutely no safety or upside in buying those bonds.

People are banking on politicians to fix the problems that ale the countries that are broke. That is a bubble, the belief that a politician can do anything worthwhile, never mind rescue the largest portion of the global economy with common sense. There have been no less than 20 meetings, summits, fixes and deals that all were supposed to put this problem to bed. The end will come when we get some countries going bankrupt and likely seeing the Eurozone change drastically. How that happens is yet unknown, but it will not be pretty when it plays out.

Valuations will at the end of the day determine who wins and who loses. There is only so long you can string the people along with psychological games. Some stocks today are good values, others not so good. A popular internet stock today isn't a good value even after it lost over 50% from the offering price. It's not bad value because it trades at 100 times earnings, if it had growth to support that we could work with it, but they're not growing and having issues with the structure of the organization. The biggest online retailer trades for a few hundred times earnings and it is reasonable, not because of the valuation now, but because earnings should grow a few hundred percent from here, making the future multiple very reasonable.



Money Quiz

This month's challenge is to tell me how education impacts net worth. How many times more is a family headed by a college graduate worth vs. a family led by a person who only graduated high school? 1.1 times, 1.0 times more? Although the college education is priceless and on average people with degrees do much better financially than those without, it's not a hard and fast rule. I know many contractors and business owners who kill it and they went to trade schools or the school of hard knocks. Last month's winner was Greg Pretak; The Government spends 41% of the US Treasury's loot on Social Security, Medicare & Medicaid currently. It was 16% in 1967. Is the trend sustainable? Winner goes to Ruby Tuesday on us! 07/30/12: 10

Addiction

There is no shortage of addiction in the world today. We have a plethora of things we can get addicted to. Many addictions are obvious and impact a huge percentage of the population such as tobacco, alcohol, drugs, etc. Many other addictions impact many people but go mostly unnoticed in our society. People actually can become addicted to gambling, bulimia, adrenaline, fetishes, video games, laziness, the internet, etc.

We see many addictions come to a head when the family pressure breaks apart over them and sadly they result in divorce and lots of hurt and heartache. These addictions can come from seemingly anywhere and they do not discriminate, anyone is susceptible to getting addicted to something. Many people always think "oh, that'll never happen to me." That is a fallacy; we've seen awful things happen to a lot of great, undeserving people.

Our society is working so hard at fighting the obvious big addiction of drugs. Is it a winning strategy? I'm not sure but it's certainly a financial money pit. I do not think you can stop people from doing stupid things if they really want to do them. We had prohibition in the early part of the century and that didn't work. We now have gangs, Mexican drug wars and a huge percentage of our adult population in jail all over addiction.

Rather than building more and more jails and having more and more cops and meth clinics we should focus on how to educate people away from these destructive behaviors. Not only would we save a mint, but we'd preserve families and create new industries, jobs and tax bases. We'd also stop gangs and the Mexican civil war if they had no "currency" in the drugs that drives the system. I think it's imminent, but it'll be driven by economic need, not common sense.

Debt Drag

Debt is a simple concept and most of us try to get away from debt whenever possible. Some people end up getting sucked into the debt system and if you get too far buried in it, you'll end up getting consumed by it. Let's look at two families that are identical in income, but have very different spending patterns.

Both families of four have identical incomes and live similar lives. It takes both families about \$4,500 per month for the basic living expenses. Family A never buys anything they cannot pay for with cash at the end of the month except cars and homes. Family B buys pretty much whatever they want, and run a balance on their credit card and "enjoy" life more. Family A doesn't have as many or as nice of "things" as family B but they're much less stressed and overall happier than their material rich counterparts.

This isn't a problem for a long time, but eventually family B's spending addiction catches up to them and suddenly they're spending 30% of their monthly income on debt service, paying the monthly interest bills to the bank on the now out of control credit cards. With the interest consuming such a large portion of their income, it's becoming very difficult to live each month and they've used all of their credit. This family is going to have to either really change their ways or file for bankruptcy. Changing their ways will require them to live like family A and pay down all of their debt. This will take discipline and time, a lot of both but it is completely workable.

The drag the debt has caused family B is immense. They can no longer do the really fun stuff they are used to for sure, and now it's going to be difficult to just live and pay the absolute necessities. They'll look for more work and second jobs to try and dig out from the hole they're in. The debt drag is like them having to pull a wagon with 200lbs of weight in it as they attempt to run a marathon. The drag prohibits them from moving ahead or up, saving or being flexible. Should anything go wrong with them, they will be forced into a bankruptcy. They've made a series of decisions that put them in a corner with few options. They can dig out, but it's difficult and all things need to go just right to allow it to happen.

Family A just keeps on plugging, nothing has changed and they continue to live like they always have, simple and stress free. It happens and it's not the end of the world when a family gets in trouble. Some were never educated on finances; some were using the money as their drug. This same thing is going on with Cities, States and Countries today. Unfortunately, many of them are now like family B, in a corner with few options and the debt drag isn't allowing the economy to expand. Keep it simple! ☺

Inspirational Quotes

- To be a winner, you have to be willing to toe the line and pull the trigger, author unknown
- Preparation pays, it's essential to be more prepared than the other players in the game, author unknown
- Dare to dream, it's not where you are, it's where you are going, author unknown
- If you don't have a dream, how are you going to make that dream come true? Author unknown
- Defeat has its lessons as well as victory, Pat Buchanan
- Facts are to the mind what food is to the body, Edmund Burke
- They may forget what you said, but they will never forget how you made them feel, Carl Buechner
- I'd rather be at something I enjoy than a success at something I hate, George Burns



**We can piece the puzzle together
and make your money work for you!**



Structure & Rules

Kids need both structure and rules to grow into successful adults. This is where they develop the ability to set limits and understand right from wrong. Parents need to teach these things to their children and sadly, many either do not or cannot. We deal with many educators and unfortunately a lot of them spend a lot of time teaching parents how to parent. This shouldn't be the case and it's our responsibility to get our little angels up and running to be productive members of society.

Since raising kids doesn't come with instructions, we need to help one another with this process and whatever we didn't learn from our parents, we need to learn. Always strive to learn through building yourself up, read, take classes, and participate in anything available to make yourself and your kids better. Never deny your kids the time and attention they need to properly develop in this complicated world. Time and energy spent today will go a long way towards allowing the children to one day help the world. We need to have the structure and rules but simultaneously allow the kids to explore and fail in life. They cannot be too sheltered. It's never easy, but anything worth doing is worth doing well. Share any successes you've had and we'll past hem along! ☺☺

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