

Making Memories

We all fly through life at a speed none of us thought was possible. Are we missing the best parts of it because we're all so busy? I hope not and I also hope we're not missing those we are close to and those we love. Making memories is the simple stuff; it doesn't have to come with big price tags and fancy trips across the globe. I can remember like it was yesterday sitting down every night when I was 10 (my Samantha is 10 now) and having dinner and everyone talking about their day. Mom and Dad gave us lessons about what to do in certain situations depending on what we came up against in our day. Dad's lessons were great at the table and Mom was very happy with them as they were politically correct, but the real lesson that came afterwards when we were alone was completely different when it came to confrontation and competition. I have very fond memories of playing sports, playing around the yard and just hanging out with friends playing games until 2 or 3 in the morning. These were the best times. ☺

When our girls were young we did a really cool thing we call the three minute tape. We took a video tape for each child and recorded them on or about the same day of each month just doing what babies do for three minutes. We'd switch tapes for each child so they were their own. It's amazing to play them back now because in 36 minutes you see the child age one year. So much changes in a year for a child it is mind boggling. You can quickly see the evolution of speech, muscle control, dexterity and even sarcasm in my house. The girls love to watch the 3 minute tapes and I cannot agree more, they're priceless.

Family game night is another really cool thing we look forward to often. We'll hang out just as a family or have friends over and have at any board game, card game, video game or children invented game that is easily accessible. I must admit the first run through of the kid invested game is painful, but in time as they're refined they get better. This is great fun, it's competitive and everyone learns. Games are a great tool to teach, as are most moments in life.

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The Fed's all In

Earlier in the month the Fed took historic steps and initiated QE3 (Quantitative Easing, round 3) by announcing its plan to buy \$40 billion per month of agency mortgage backed securities. They'll discontinue operation twist by year end and keep rates at 0 - 0.25% until at least mid-2015. This is all in an effort to get the employment situation to heal and drive unemployment down. Monetary policy is designed to get people to spend or not to spend by adding money to the system or taking it from the system. Since rates have been at zero for years, the Fed is left with "nontraditional" policy tools such as QE 1, 2, 3, infinity, etc. Although the Fed can control the money supply, it cannot control the velocity of money, which is how fast or slow it rips through the economy. The velocity of money is atrocious, it's been falling for a while now and the current levels indicate people are retrenched.

Employment will get better when we have some certainty and sanity in American policy. Washington cannot act like 3rd graders, rewrite the laws for connected unions or other political allies and simultaneously be hostile to business and expect them to hire and expand. The rules are necessary and improvement of them is great, but everything in moderation. When the federal government doesn't have a budget for four years, doubles the national debt and every policy is "temporary" to entice people to act when we all know full well the current direction of the country is a future Greece, who on earth would make big decisions on hiring, expanding or building when nothing is for sure except higher costs and more minutia moving forward.

With this entire bond buying fiasco running at opium levels, the fed is now a direct owner of just over a quarter of the bond market. Never in history have we seen such disruptions in open and efficient markets as we are seeing today. With the acceleration of asset purchases with this announcement, it's estimated that the Fed will soon own over half of the bond market. There is no exit strategy to this, and when the Fed decides it wants to sell, it cannot. This is new territory for the world.

The idea is that they want to push rates on all traditional assets (savings, CD's, money markets, etc.) to zero or below and force people to buy into other, riskier assets. Making the money flow into these other assets should lift their prices and their hope is that the "wealth effect" the feeling people will spend more money? Insane, I agree but so are most political ideas these days. The Fed is punishing savers to bail out the government and other weak business organizations. The real solution is

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We've had great times cooking together as a family. It really is amazing what a ten year old can cook, even come up with a concoction that is really good. Making food with your spouse is equally fun even if I'm better at eating than cooking! ☺

What about making great memories by making fun out of or about something silly or mundane that is every day in life? My kids love puzzles so I'm constantly making life puzzling for them to figure it out. They even take their dessert in a trail or a scavenger hunt if it is easily separated like M&M's or Reeces Pieces. We don't do scavenger hunts for cake or ice cream! ☺ Driving around is about math problems for us, the girls will ask me to make up a problem for them and they'll race to see who can figure it out first. Comically, they will sometimes beat some adults in the car to the punch with math problems. They play the license plate game constantly and my newest challenge is geography. I'll ask the kids where we are constantly and challenge them to get me home, they navigate and I drive.

One of the biggest things for us is just spending what we call "nuggle" time together. This is our families version of snuggling (we've got somewhat of a made up Chadwick family language in our house) and we'll just hang out, talk, watch a movie, read, etc. We let the kids make our schedules on the weekends and within reason, they can control what we do when we have free time. The first choice of a Saturday morning activity is typically something unreal, like going to Disney, but the subsequent choices are realistic and fun.

We email and write our kids notes a lot. We will stuff motivational notes in their backpacks and homework binders, trying to build them up and give them confidence. Cup says this may have backfired; they're not lacking any egos these days! ☺ They're great communicators and I hope that never changes. The day they stop talking to me about their problems and concerns is when I will really become concerned.

We've recently decided to take a long (for us) family vacation and the kids are a big part of planning it and the planning is quite fun. It's great to see what interests them and to open their minds as to just how big the world is. We've made a bunch of photo books for excursions we've gone on and any special events like birthday parties, etc. and they are both fun to make and fun to look back on.

One of the best things to do is just spend time with your family and loved ones. You cannot have meaningful relationships if you're not there. These times don't have to and probably shouldn't be fancy; they should be simple but involved your time and attention. They'll never be forgotten and will make the biggest impact in the lives of those you love. Let us know any other great ideas you're using to make memories!

☺

To Convert or not to Convert

There is a mountain of misinformation on conversion of IRA's or other qualified retirement plans to Roth IRA's. Should you convert or not is dependent on your personal situation and what taxes for you will look like in the future. Converting is changing a regular IRA (where you made tax deductible contributions) to a Roth IRA and paying tax on the conversion. The Roth IRA is nice in that your withdrawals are tax free, but you need to pay taxes on the deposits or conversions to this account to get there. You can convert nondeductible IRA's to Roth's without any taxes and that is an absolute no brainer. You can even roll over many after tax portions of retirement plans to Roth IRA's for no taxes and that too is a no brainer. If you have a qualified plan such as a 401k, pension, 457, etc. you must first roll that plan to an IRA, then you may convert to a Roth IRA if you so choose. The logistics of the process are typically overly onerous as they're created by the government! ☺ Not a big deal, just follow the rules and everyone is happy.

The little known government agency known as the Department of Rainforest Destruction (DRD) is the only government agency known to man to be effective at its mission with little waste. Theirs and every other government agencies endless stream of rules and regulations do a very effective job at killing our rainforests by requiring mountains of paperwork for the simplest of tasks. (That is not a real agency, it's my attempt at some humor, and it's sadly believable today).

Back to IRA's and conversions the ideal candidate for a conversion is someone who is not in a large tax bracket today but who likely will be in the future. Perfect candidates are young professionals and business owners who are just starting out that don't pay big taxes today but likely will as they become more successful.

A big misconception is that when you enter retirement your income tax bracket will be the same that it is today. I hope that is the case for you, because if it is you've done a killer job financially. Most people do not have the same income level during retirement as they do during their working years because they don't have the same levels of income. There are some that will have the same level of income, and for them the tax situation is going to be the same. People are also worried about income taxes increasing, and this is a valid concern. The tax rates will increase in the future; it's just a matter of on whom. Even when tax brackets go up if your income goes down sufficiently you'll still pay less in taxes during retirement than you do today. I see many retirees who can take money out of their IRA's with no taxes at all.

Another option for those who may have converted but need to go back is a Roth re-characterization. This is the process in which you can turn your Roth IRA back into a regular IRA. There is a logistical process to follow, and Oct 15th of this year is the last day to do so for 2011 as it's the final filing deadline including all extensions. These are great conversations to have, call anytime to discuss them. ☺

Noteworthy News!!!

- Congratulations to Michele Maghini on her new job at Sprague School! ☺
- Congratulations to Amy McKenna on her new job at CT Community Care System! ☺
- Congratulations to Todd O'Keefe on his new job at US Foods! ☺

Question & Answer

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

Q: How do I make sure I'm not audited?

A. You can't! The best thing to do is be thorough and accurate. Many audits are generated because of reporting errors and those you can control, again by accuracy and completing what is required. Remember whatever tax forms that are sent to you from anyone you do business with the RIS Gets a copy. They've got sophisticated computer systems to perform checks and balances to ensure all income is being reported and the math is correct. What we see the most of is reporting errors or omissions. By far, the most common reporting error is not telling the IRS you've rolled over retirement plans. They automatically assume you've spent the cash and send you a monster bill. Although I do not agree with the process, if you do what is required the process works as designed.

Lately the IRS has a few hot buttons they're after. One area that is getting increased scrutiny is S corporations where owners report income as "S distributions" that are not subject to self-employment taxes where traditional wages would be. This area is known to be abused so they're on the case. Pensions are another area we see a monster increase in IRS scrutiny. For 17 years we've never seen a thing and the past few years we're seeing some inquiries on the pensions and making sure everyone is following the overly complex schedule of rules!

The IRS also has a focus on self-employed business owners who file a schedule C as part of their tax return. This can be sole proprietors as well as owners of LLC's who choose to be taxed as a sole proprietor. The scrutiny here depends on how much you're making. Here is a quick list of the percentage of returns that are being examined by the IRS by income level.

Gross Sales	# of Returns	% of Returns Examined
0 - \$25K	10,736,434	1.2%
25K-100K	3,136,694	2.5%
100k - 200k	893,707	4.7%
200k+	705,877	3.3%

The government typically gets additional taxes of \$9,400 per audit. I hope you're not one of the lucky ones here! We were recently audited by the state and I thought for sure I did something wrong somewhere and it would cost us. To my incredible surprise we got a decent refund for overpayment. The perks to being conservative! ☺

The Fed

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to raise interest rates, reward those who have done the right thing, not those who have lived beyond their means. Government must let the weak players fail, restructure employment and benefits in the public sector, restore personal responsibility and move on. This bailout and reality prevention theme the government is currently pushing does not end well. This is the 2012 version of governments everyone in America must own a house that we saw end badly in 2007 due to a gross misallocation of capital. Capital goes to where it is most needed and most rewarded naturally, but with government intervention it can sway where capital goes for short periods. After that short period wears off, the reality sets in and then capital flecks to where it should be, and that shift is terribly painful. In the short run, you never know how things will respond, but in time what will the real costs be for the disruptions in the economy and natural systems of supply and demand?

For the few weeks prior to this event, the markets have been running up. They're running not because the economic fundamentals of the world are great, but because there was HOPE that the Fed was expected to print money. Yes, you read that correctly, the markets are now responding to hope, not reality. The best of the current round of Fed stimulus may be behind us as the market was front running this event. There will be no structural or labor benefits to the move. With investments, it's never simple so what most people expect may not come, and that is where we must be strong and not waiver just because the crowd is running to the supposed Promised Land.

Our economic problems are simple, too much debt and regulation and too pathetic of a political class to deal with it. People feel entitled and this is truly scary. What happened to the rough, tough, work through anything American values I grew up with? Are we now a Nation of wimps and whiners who cannot make it happen on our own? I don't think so but many do today so we'll just need to prove them wrong and show them our strength. It all starts by doing the right thing and not working the system like it appears most people are doing.

This is a period of deleveraging where as a society we've built up too much debt for the economy to work properly anymore. It's true in most developed economies today including here, Europe and China. We're in the best shape of the bunch but it's nothing to brag about. To fix this problem, politicians need to make tough decisions. Short term pain will create a long term healthy system. As long as they continue to defer these decisions, the problems fester and the solutions will ultimately be worse and a lot more painful. Political decisions cause the misallocation of capital to places where it doesn't belong. In the dot com era too much capital was focused on technology, the real estate bubble had too much focused on housing, and more recently we've got too much focused on government everything. This centrally planned world like George Orwell's 1984 is a gross misallocation of capital we'll look back on and wonder how it ever happened.



Money Quiz

This month's challenge is on government deficit spending today. For every dollar the federal government spends, how much is from taxing the people and how much is from borrowing and adding to our debts? Is it 95% taxes and 5% debt? This is enlightening! This is just like a consumer living on all of his income and putting a lot of his monthly expenses on the credit card. Last month's quiz surprisingly wasn't won; the average family headed by a college educated person is worth 3.8 times their non-college educated counterpart. Don't take this to heart, always follow your dreams, I know plenty of non-college educated business owners who can clean the financial clock of most professionals! Winner goes to Ruby Tuesday on us! 09/24/12: 12

Pension Time

September isn't a time when people think about pensions, but it is the proper time of year to be thinking about them. If you're a business owner and you want to think pensions and tax deductions, September is a great time of year to re-evaluate the pension plan you have, or the one you've been meaning to get now! ☺ Here is a quick list of pension types and how much the government allows you to contribute to the plans for 2012. When we get 2013's numbers we'll share them with you. :

Name	Contribution Amount	Catch Up Amount
IRA	\$ 5,000.00	\$ 1,000.00
SIMPLE IRA	\$11,500.00	\$2,500.00
SEP IRA	\$50,000.00 (20%)	\$5,500.00
Single K	\$50,000.00 (20%)	\$5,500.00
Deferral Limits	\$17,000	\$5,500.00

Although SEP & Single K's appear to be the same, they're far from it. Both allow for a 20% contribution from net earnings from self-employment, but the Single K also allows for a salary deferral contribution. If you're lucky enough to make over \$250,000 annually, they plans become equal as you'll have maxed out the contributions to either plan. If you're earning less than that, you'll be better served with a Single K as it will allow you to get a much larger contribution or your income range. SEP's are an older version of the single K and have been around forever. Many people are still not familiar with the many benefits of pension plans and how they can be customized for a business to generate a lot of tax savings and help everyone save for tomorrow! ☺

Love Insurance

There is no shortage of insurance you can buy in the world today. They'll let you insure insurance, it can get totally out of hand if you're not a really smart consumer. Most of us buy insurance to protect our "stuff." We all have a lot of stuff to protect, arguably to much stuff! I'm not a good collector of stuff, it weighs me down and I've got enough weight to do that, I don't need any help!

We can buy insurance to protect our home, our cars, our boats, our toys, our jewelry, our professions, our body parts, even our liability and our incomes. Most of these insurance purchases are in one way or another helping the buyer of the insurance. I'm not a big fan of too much insurance – protect the big items in your life and the rest you can work out if you're a good steward of your finances. Most importantly protect your income, home, health and liability.

One insurance that sticks out as a purchase of love is life insurance. A person buys life insurance on their life because they love their family so much they want them protected no matter what happens to them. Is that the most selfless decision? It makes me glow to see people care for one another that much.

Here is a piece I found that I'd like to share with you that explains what life insurance really is:

The magical gift of life insurance is like nothing else in the entire world. It is one of the most loving things any person can do for another. It's the polar opposite of greed, it's the kindest and most selfless thing in the world, ensuring those you lover are taken care of when you're no longer here to do it yourself. A person in love foregoes some of his hard earned wages to ensure the future of those who are loved. For you see, a life insurance policy is just a time-yellowed piece of paper with columns of figures and legal phrases, until it is baptized by a widow's tears. Then it becomes a miracle-a modern Aladdin's lamp.

It is food, clothing, shelter, and undying affection. It is the sincerest love letter ever written. It eases the aching heart of the partner who remains behind: a comforting whisper in the dark and silent hours.

It furnishes new hope, fresh courage and the strength to pick up the broken threads and carry on. It supplies the milk that quiets the crying of a hungry baby in the night. It provides the college education for a son or daughter-a chance at a future career instead of the need for a job. It is a dad's blessing to his daughter on her wedding day.

It is a father's uninterrupted dreams and plans for his family's future. Through life insurance, he lives on! The premium which he deposits buys him the greatest of all privileges-the privilege of living on after death.

Yes, it is the warmest and truest love letter a man could ever write his family.

Inspirational Quotes

- It is hard to fail, but it is worse never to have tried to succeed, Theodore Roosevelt
- You must look into other people as well as at them, Lord Chesterfield
- I failed my way to success, Thomas Edison
- Hear the meaning within the word, William Shakespeare
- They fail, and they alone, who have not striven, Thomas Bailey Aldrich
- Kind words are the music of the world, F.W. Faber
- Success in life, in anything, depends upon the number of persons that one can make himself agreeable to, Thomas Carlyle
- The less people speak of their greatness, the more we think of it, Lord Bacon
- The mind that is anxious about future events is miserable, Seneca



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



Sports & Life

I think sports are great for kids on every level. They learn so many things in sports that will help them throughout their lives. They learn how to follow instructions, how to compete, how to work hard, how to push through adversity, how to deal with other kids (some nice and some not so nice!) how to be part of a team, how to work with others, the benefits are endless. Today the downside of sports is that you have to schlep your child all over creation to play, when we were kids it seemed we did play only in our local towns until the end of the year when it came to the all-star teams that traveled throughout the state only to play the tournaments to determine league and state champions. Sports lessons can go through all of life and help a child as they grow into an adult and through adulthood. I think back often to many of the lessons and incidents in sports and continue to use them daily today. Practice is huge; we all must continue to practice even as adults. We'll now practice work no baseball or dance, but the more we practice the better we get. Do you have the will to prepare to win as much as you have the will to win? They go hand in hand! ☺

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