

## The Fiscal Cliff

This is for sure the top thing for the news media to talk about right now. This is until the next crisis hits and they move onto something else that can be sensationalized. I wanted to discuss this fiscal cliff a bit here so you'll have a fair understanding of what is actually going on. Realize first and foremost that this is at best a deceptive tactic that the public is being fed. We're being told if we just get rid of the Bush tax cuts we'll be back to normal and all is good financially. That is a flat out lie. We are collecting more into the treasury, 26% more in fact, than we did 5 years ago so government income, or "revenue" as the talking heads like to call it, isn't the true issue. It's a spending problem we have, period. Here is the reality.

In the past few years the big recession has caused consumers and businesses alike to retrench and spend less money, as the future is unclear. The government has been on a spending binge to try and make up the slack. That makes sense on a very short term basis to take the edge off of a big recession, but 5 years later it's just stupidity to continue on this losing path. This is the fiscal path Europe has been on for a decade and look where it leads. Last fall when the parasitic wastrels that are our congress couldn't get our countries financial house in order it set off a chain of events. The big news was they couldn't agree on a debt ceiling and failed to get spending in line, again kicking the can down the road on financial sanity. This caused America's credit rating to be downgraded for the first time in history.

The one thing they did was put in place is a set of laws now known as the fiscal cliff, which kicks in automatically should a financial deal not be had, of course no ensuing deal is struck so this fiscal cliff is now reality, what a surprise. These laws become reality if the congress and White House cannot find a solution we will have automatic tax increases (back to the pre-Bush era tax rates) and simultaneous spending cuts to stop the constant bleeding of government spending money that we do not have. Of course nothing has been done to address the issues because getting elected is more important than doing the leading you were put in office to do.

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## Smart Shopping

We all want a deal; it just feels good to get a great value when you're looking to buy anything. Being a smart consumer today goes a long way towards improving your financial outcome in the world. How do we get a deal is the big question. I'll share with you some of the things I do on a daily basis to try and maximize value for all of us.

Keeping an eye on things is the key to knowing what prices are in a particular market, when a deal appears, and when things are overpriced. This is how people do well in any business from cars to jewelry to furniture, etc. Experts know their market and exploit opportunities or inefficiencies in it. First let's start with what I do not know. I know nothing about buying groceries, fashions or clothes. I leave that up to Cup and the princesses to figure out, and they're great at it. The girls will lecture me for buying milk at the wrong store; at this point I just ask them where to go because they're far more knowledgeable than I in these areas. BJ's for some things, Cumbies for regular milk, Aldi's for some, Stop & Shop for some, etc.

Here is a perfect example. Last night Cup comes home with a few pairs of hiking boots for her and the girls for Christmas. They were a name brand I do not recognize (what a big surprise, me not knowing name brand clothes!) so I went online to do some research. My intent is to see if the company is public, if the company is hot, and if it makes sense to own the stock when the global economic tide turns to an upswing. I also wanted to know just how good of a deal she got, I knew it would be good, but I wasn't sure just how good. She went to Tractor Supply to buy these and I found that gut busting, my stomach actually hurt after getting through with my laughing episode finding out my wife is at Tractor Supply! This is the redneck retail capital of the world and my wife is there, nothing can be more priceless! I was actually there a day before looking for hydraulic fittings and didn't know they sell clothes!

Apparently the mental defense mechanism in my head prevented me from registering that a tractor store has a clothing section. It's truly pathetic I didn't even know the section existed. It makes sense; Wal-Mart has a boating section. It may be equally pathetic and tiny but it's there and it is the best place to buy Startron fuel stabilizer. That happens to be the best fuel stabilizer on the market, it's not cheap but don't skimp on that or it'll cost you more to fix the motor in your lawnmower in the spring. Cup ended up getting the boots for over 50% off the best price I could find online. That is impressive and only a road warrior can find

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In the coming weeks they'll fight about how to fix this automatic tax increase and spending decrease law. The reality is both of these things need to happen simultaneously. Taxes do need to go up across the board, not just for high earners, and spending does need to come down, way down. Taxes have gone away for about 50% of the country in an attempt to buy votes, but that is part of the problem, the tax base is now so concentrated the country cannot exist solely on the backs of the rich, everyone needs to contribute. The "Fair Share" rhetoric is merely political nonsense. We'll see how you feel about the fair share on January 1<sup>st</sup> when the tax side of health care kicks in. It'll get worked out, but it's likely to come down to the 11<sup>th</sup> hour and be a climactic event, causing chaos in the markets and the world. There is no political will to do the right thing today on the national level; it takes economic hemorrhaging to scare the political class to put the right thing into motion. Many states are doing great, mostly in the Midwest and south, but they're dealing with reality and cutting government spending to reasonable levels and attracting people to live there. These people are mostly coming from the coasts, New England and the north where the political climate is insane.

It's sad that it must come down to this, but since we've seen how it plays out, we just need to be on the right side of this equation to profit from it. Lately the only profitable trade has been the short sale one. Nothing looks attractive from a long only investment perspective at this point. There are a lot of great companies I'd love to own, but now is not the time to own them, we cannot fight the trend of the general markets. We need to resolve the global debt mess on the government level before we'll be in a logical long term economic expansion. We are nearing the turning point into a new healthy economy, but I see one last leg down and it may be painful for those unprepared.

Excess debt is hard to burn off and that is exactly what we're in the process of doing right now, getting rid of government debt piles that are unsustainable. The world is in a real tough patch right now as we've never seen before. Governments are going to break promises they made to a lot of people. Pensions, health care, defense, handouts, nothing is going to be sacred once the reality hits and the illusions end. Just like families that get hooked on spending more than they take in, the governments across the globe are right there and fixing it is painful.

Europe is far more acute right now and there are riots in the street about public servants getting pay cuts, benefit cuts and losing jobs. This is an area where government has been in a Candy land environment for years, since 2008 when the big recession hit all of us in reality have changed how we live, spent less and made the adjustments. Government hasn't made the changes and continues to spend more now than they did then. They will catch up and spend less eventually, but change is hard and takes time.

## Three Little Pigs!

We all grew up with this and a plethora of other fairy tales that help to make childhood what it should be a wonderful evolution of a productive and responsible person. Not only are these fairy tales great stories, but they teach invaluable lessons, imprinting morals, principles and values on little people for life. The Three Little Pigs story teaches us to not only have fun, but to work hard and put the proper amount of time into preparation and work when necessary. It shows when we do not prepare properly for the storm, bad results happen. The pig that took his time and built the house out of brick skipped a lot of the free time and relaxation the slackers had as they used straw or sticks to build their homes. The Big Bad Wolf is the storm in the story, destroying the weaker homes, but the message is crystal clear.

I think about a biblical proverb that teaches a similar story in that a wise man builds his home on a rock and the fool builds his on the sand. Both of these stories teach the same message, do the hard work up front, use common sense, and do not get lazy or play too much until the hard work is done or you'll wind up doing a lot more work in the end fixing the short cuts.

These principles will remain true forever. Today, we have a large portion of our society that is hooked on the lazy life, the free ride and the deferral of hard work. Europe is in the place today where five countries, namely Portugal, Italy, Ireland, Greece, Spain (Cutely coined the 5 little PIGS) are on the edge financially. There are a lot of illusionary tricks going on today with the political class that hope to maintain the status quo. They hope the borrowing binge that government has been on for decades can continue, but it cannot.

Think about this, all of these countries have recessions that are similar in scope to our great depression, they are getting "bailouts" after "bailouts" and some of those bailouts are coming from one another and from us and some other countries that are in no position to bail out anyone, never mind the bankrupt countries. It's comical when Spain is part of Greece's bailout and when America is part of both countries bailout packages. What a joke is all I can say. Germany is the strong country, but for how long will they continue to support their broke cousins. The area's debt problems are now taking down France, can Germany buck the trend long term? Will they remain in the Euro block? It's an exciting story to see unfold!

Here is a great analogy. Suppose you are a fiscal pillar of health and have done well, saved, sacrificed and finally gotten ahead financially. You've got 17 cousins who are all somewhat less hard working, some not working at all, some out of work, some on drugs. How many of these cousins would you be willing to support so they can continue on their losing ways? This is exactly where Europe is today. Would you demand your relatives get to work and change their lifestyles or would you support them and their current bad habits for a while longer? This is the choice we'll see Germany make in the coming weeks, months or years but it is this simple, it's not a question of if, just a question of when.

## Noteworthy News!!!

- Congratulations to Jim Campbell on his new job as Police Chief in Thomaston.
- Congratulations to Jeff Schmidt on the purchase of his new home! ☺
- Our condolences to the Kozikowski & Maghini families on the passing of Mildred (Minnie), a wonderful woman, mother, sister, friend, aunt, grandmother and person.
- Congratulations to the Gaughan family on the purchase of their new home in sunny Florida! ☺
- Our condolences to the Szlosek family on the passing of Robert, a wonderful man, husband, father, brother, grandfather, uncle and friend.
- Congratulations to Patrick Gallagher on the purchase of his new home! ☺
- Congratulations to the Daggett family on the purchase of their new home in sunny Florida! ☺
- Our condolences to the Fiore family on the passing of Linda, a wonderful wife, mother, daughter, aunt, friend and person.

## Question & Answer

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

*Q: Who are the unbanked often referred to in the media?*

These are people who do not use banks in a traditional sense like you and I do. Most people I know grew up and at an early age got a savings account. As we hit the teens we got our first checking accounts and as life progressed, finally loans and mortgages, perhaps credit cards, etc. This is the life of a typical American who is "banked" and uses many of the products and services banks offer.

Unbanked are people who live without a bank account, product or service, period. Can you imagine not having a bank account, ATM card, Debit card, Credit card, etc.? I cannot. Online money transfers, shopping, eBay, Amazon, PayPal are all history without a credit rating and a bank account or two.

This is a substantial portion of our society today, even though you may not know a lot of these people. There are some folks in this category who are living under the radar, perhaps they're here illegally, perhaps they have a legal judgment against them, perhaps they are eluding the IRS, they may be deadbeat dads, the list goes on and on about what issues people face today and why they may be living under the radar. Many people live in a cash world today and do not trust the banks or the government so they prefer to keep things off the "system." It is impossible to know how much cash or other valuables people hold, but we all know what is in banks, brokerages, property, etc. as they have titles, statements and a paper trail. This is big business in the unbanked!

## Smart Shopping

*(Cont'd. from page 1)*

that deal. I'm a terrible road warrior when it comes to shopping. I do not like stores in general unless they sell cars, electronics, tools or other motorized toys. I'd rather endure a surgical procedure than endure a day at the mall. You'll never find me waiting outside a store for 4 hours before they open to get a deal. I'll go online and take what I can find there. We can now drop the girls off at the mall and they can have at it, getting deals and learning the ropes. This season was the first time we allowed them to go shopping alone, and they produced great results. Every purchase was at a deep discount and they set pre-determined spending limits for themselves prior to entering that were much lower than what I would have suggested. I hope and pray they'll keep our good habits.

We all live in the world together so we need to help one another. Many of these things I'm about to share were shared with me, so we're going to keep paying it forward.

Clothing is obvious retail wise, but look to [www.retail101.com](http://www.retail101.com) for great deals, these guys get clothes before TJ Max & Marshalls do from the retailers.

Cars you need a buying service to see what dealers are paying go to consumer reports or USAA to get a baseline on prices and pay special attention to the reliability history on consumer reports or amazon reviews. I've avoided more mistakes by living vicariously through others actual experiences with a product build quality, reliability profile etc. vs. learning the hard way and experiencing it on my own. I'd rather not invent the wheel whenever possible. Also, a technique I use often is to talk to service people on items rather than sales people, they know what is what. I use this technique often to get the true measure of a products strengths and weaknesses. The people who fix things typically know a lot more about the actual products in question.

Criagslist.com is genius for anything, as is eBay, but be careful of what you buy used and know the prices, many times they're higher here if you do not know what you're doing you may get fleeced. To search a lot of sites simultaneously, use [www.searchtempest.com](http://www.searchtempest.com) or [www.oodle.com](http://www.oodle.com). These sites can even allow you to set up alerts so if you're looking for something in particular, it'll tell you when that item is listed, and you can even specify a price to get it at. The bargain news remains a great place to find great used cars. Autotrader.com and cars.com also rule the popularity rankings for posting what is for sale locally.

For the audio lunatic, [www.audiogon.com](http://www.audiogon.com) and [www.videogon.com](http://www.videogon.com) are both great. To get high end cables at a very reasonable price, [www.bluejeanscable.com](http://www.bluejeanscable.com) is the place. I cannot stomach the cable rape that is at all retail outlets. Get a nice new TV and pay almost as much for the HDMI, RCA and associated speaker cables that you paid for the entire TV that is insane. If you have any great sites or stores you'd like to share we're all ears. Let us know and we'll continue to pay it forward! ☺



## Money Quiz

This month's challenge is on stock market reaction. Following the Presidential election in 2012, how much did the stock market, as measured by the S&P 500, lose the next day? This is not very conducive to a great economic future. Last month's quiz was won by Kalyani Patel. The healthy 50% of Americans consume 2.90% of all healthcare services. This means the unhealthy half is eating up 97.10% of our system. Ouch! We need more docs and fast! We also need a healthier lifestyle. Winner goes to Ruby Tuesday on us! 11/05/12:7

## The U-Haul Index

I'm a logical thinker so I would suspect that renting a truck to go one way from San Antonio, TX to San Francisco would cost the exact same amount as renting a truck going from San Francisco to San Antonio. Assuming of course the trucks are identical, on the same days of the week, no holidays, etc. That is the furthest thing from reality and there is an amazing explanation behind the math and the rates. This is what makes math, business and actuaries cool, and they are cool by the way because without them the world wouldn't work properly and nothing would add up! ☺

The difference in rates is astonishing. To leave Texas and go one way to California (recently renamed Taxifornia! ☺) it'll only cost \$983.00. To flee the fleecing in California and get to Texas you'll have to cough up \$1693. This is just a supply and demand issue. We've got over double the number of people moving from California to Texas as the opposite, so U-Haul has priced the rates accordingly.

People are voting with their feet to get out of a state that is insane with regulations, tough on business and too politically weak to balance its budget. Texas on the other hand is booming economically in a very weak national economic environment. Let's look at a few economic indicators for each state and see how they stack up. Weather wise you cannot beat California unless you're in Hawaii. Virtually every other metric is against living there.

Measure	Texas Rate	California Rate
GDP Growth 08 -11	6%+	-2%
Unemployment Rate	6.3%	10.2%
Poverty Rate	15.5%	23.8%
Net Migration	398K	-558K

## Legal Disclosures

The world is all about legal disclosure these days and rightfully so; we've been taken advantage of too many times. Balance is difficult here, how do we balance being informed and intelligent and not getting pillaged of our common sense and personal responsibility.

Many things in disclosure work great, but it's become too much, so much so that nobody even bothers reading a lot of the disclosures anymore because they're not just a few sentences or paragraphs, they're now books. We joke in this industry if you ever have difficulty sleeping, just put a prospectus on your nightstand. Pick up that document and you'll be out in five minutes regardless of your degree of insomnia. ☺ We also tell a cute joke about sleeping pills at many of the speaking engagements we do for local physicians groups – don't listen to friends for financial advice, that's like me asking another financial advisor for medical advice, he'll tell me to take a sleeping pill and a laxative simultaneously for a stomach ache. We all know that won't end well. ☺

Here we now look into areas of our society where disclosure has reached the point of absolute stupidity.

- On the egg carton "Could potentially have eggs in this carton" I hope so! ☺
- On the instant noodles "will be hot after heating"
- On the Christmas lights "for indoor or outdoor use only"??? I was thinking about decorating the space station with them!
- On the household thermometer "should not be used orally" I can add nothing to this...
- On pepper spray "may cause eye irritation"
- On your dishwasher "do not allow children to play inside"
- On the clothes iron "remove clothes prior to ironing"
- On manufactured fireplace logs "risk of fire" and "do not use near fire, flame or sparks" Pretty soon they'll require all tree's carry this same warning.
- On your food processor and blender "never remove food or other items from the blades while the product is operating"
- On the sunshade for your windshield "do not drive with sunshield in place"
- On the kids scooter "this product moves when used"
- On the chainsaw "do not hold the wrong end of the tool" and "do not attempt to stop chain with your hands"
- On the baby stroller "remove child before folding"

It's sad that this is hysterical. I couldn't make this stuff up, tis' insane on every level. We need a system that stops anyone's educational progress at the 2<sup>nd</sup> grade until this is funny to them and they cannot be susceptible to needing such disclosures as adults.

## Inspirational Quotes

- Don't cry because it's over, smile because it happened, Dr. Seuss
- Two things are infinite: the universe and human stupidity; and I'm not sure about the universe, Albert Einstein
- A room without books is like a body without a soul, Marcus Tullius Cicero
- You only live once, but if you do it right, once is enough, Mae West
- No one can make you feel inferior without your consent, Eleanor Roosevelt
- So many books, so little time, Frank Zappa
- A friend is someone who knows all about you and still loves you, Elbert Hubbard
- You never know what a man is really like until you see the way he treats those inferior to him. People always treat peers with respect and kindness, but what about those in need or somehow beneath them?



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



## Kids Persistence

We adults give up too easily. Cup says I'm still a kid and I have no defense and I plead the 5<sup>th</sup>. ☺ My bald head indicates my true age, but my mentality is truly childlike. What I've seen with my kids and other young kids is that they prove that adults give up way too easily. If we want something we may try to go after it, but if we fail just a time or two we're done. That's really bad, how many times did your kids or grandkids ask for Halloween candy in the last few weeks? If they gave up after a time or two they'd of gotten none or very little. They persist, they wear us down and we typically give in. I know a few folks that threw the candy out after the kids got so many pieces a day and kept pressing for more. They didn't press for candy once or twice; they pressed dozens if not hundreds of times for the sugary packed gems of energy. I suspect most of us gave in or set a hard rule to stop the hard press. For those who stood their ground, that's a hard lesson for the kids but an understandable one too. Bottom line is we should be more childlike in our attempts at going for it. We can only fail and by failing we'll learn something. Don't make the same mistake twice, but keep sharpening your sword and going for what is important to you. If you never quit, you'll ultimately win!

**Don't make excuses; make things happen;  
make changes; make history, author  
unknown!**

If anyone you love or care about would benefit from receiving our 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.

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