

Preventing Identity Theft

This is big business for the bad guys today. They prey on people and try to get personal information from good people to go and open up fraudulent credit accounts in the victims' names and then have a shopping spree they'll never have to pay for. The wake for the victim in this situation is ugly, very ugly. If this happens to you, and we've seen it happen, you'll spend months cleaning up your credit records and credit score. It can also impact your ability to do business in the financial world for some time until things are finally settled. It's not unusual for this to take a year or more to completely get your life back. How someone can do this and ever look at themselves in the mirror or sleep at night I'll never know. We've developed a great series of handouts to help you avoid many of the behaviors that result in identity theft and similar issues with your personal information or credit.

The most common scams that will get you in trouble with these hoodlums revolve around you giving your personal information away to them around some story that sounds legitimate. Don't share your Social security number! If anyone emails you supposedly from your bank or brokerage firms or any other place you do business with, they will not ask you to verify your personal information, they already have it. They don't email for that information, if something is missing, they'll write to you, ask you to come in for an appointment to discuss it, or call for clarification. Many times the scam will revolve around an email that hopes you will click on the link that looks fine, but the link is really a trick that brings you to a site other than your banks, etc. Once you click the link and are brought to the fake sight and type in any of your personal information, bam, they've got it and you're out of luck now with a lot of hassle ahead of you moving forward. Once they get your information they'll immediately go online and try to open credit accounts in your name. I heard an FBI agent at a seminar who was watching an identity thief through surveillance in a Starbucks restaurant. The crook was able to get someone's identity and from the time he got the information it took less than 5 minutes to go to a store down the road and have a new cell phone in hand with a contract in the

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IRA Rules

The plain old vanilla IRA is far more complicated than many realize. Yes, most of us have one and we all tend to know the basics of IRA's. Contributions are tax deductible, growth is tax deferred and the withdrawals are taxable when they're made to traditional IRA's. Roth's are the opposite, contributions are after tax, growth is tax deferred and withdrawals are tax free. We see a lot of IRA errors when it comes to how to deal with the tax ramifications. Here are a few rules to know about IRA's and how to navigate the legal and financial landscape moving forward.

- When the account holder reaches age 70.5, a required minimum distribution is required annually. The rule says the first distribution is due on April 1st of the year following the year the owner reaches age 70.5. If you wait until April of the following year, you'll need to take 2 that year. This amount is calculated based on the account value of Dec 31st of the prior year and a life expectancy table.
- On form 5498 that you receive each year from your IRA custodian, they notify the IRS by checking box 11 that a distribution is required.
- Failure to take the distribution results in a tax of 50% of what the distribution should have been – don't miss this!
- There are 3 tables to consider for the calculation of this distribution.
 - Uniform table if you are the owner and spouse is the sole beneficiary and within 10 years of your age.
 - Joint life table if spouse is sole bene and is 10 years or more younger than IRA owner (beneficiaries never use this table)
 - Single life table is designed for beneficiaries. Never to be used by IRA owners.
- A few exceptions apply to these distributions. If you're over 70.5 but still working and not a 5% or more owner of the company, you can defer distributions from the company plan. You still need to take IRA distributions from other accounts.
 - If you have a 403(b) from pre 1987 there is a grandfather rule that allows "old money" to be delayed until age 75. Old money is pre 12/31/86 balances.
- How do you compute this required minimum distribution often referred to as RMD or MRD? Here are the steps necessary:
 - Determine the distribution year
 - Find the IRA balance from 12/31/xx of the prior year
 - Look up life expectancy factor in appropriate table
 - Divide balance by factor
 - This is the RMD

There are numerous online calculators that will help in this calculation for you as well. Feel free to reach out to us and we'll help to determine

victim's name. 5 minutes is all it took for a sophisticated criminal to get credit in someone's name. With technology coming at you via email, when something sounds like it may be legitimate, go to the site of the firms directly without clicking on the link and login that way, only if it's a secure site and verify the information. Make it a practice not to click on email links of anything that may be private, important or sensitive. It's fine to click on links for jokes and fun things, but beware; these clickable links are fun and mostly harmless but evil ones may lead to other issues such as viruses, malware, etc.

When you're surfing the web, the sites that are most likely to cause you problems are craigslist, eBay and dating websites. I've never used the dating sites but do frequent both eBay and craigslist. I've been almost tricked by many emails supposedly from eBay, their payment sister site PayPal as well as craigslist. In looking for cars there are unbelievable deals on craigslist that are always scams. If the price is too good to be true, forget it, it's not a legit deal and someone is trying to part you and your money unethically. A few years ago I was researching pickup trucks and a Toyota Tundra was on my radar so I checked craigslist. This truck, a few years old in great condition goes for around 25-30k. I found a few for 8K to 12k locally that were supposedly in perfect condition. Once I tried to see the trucks, a million reasons why I couldn't see them came up and the scammer tried to get me to wire funds to them without ever seeing the vehicle and promising delivery at a later date. Yeah right, not a chance on God's green earth that'll ever happen. I've successfully bought many things on both eBay and craigslist so don't be turned away, just be informed and never, ever send money first without seeing what you're buying and doing business in person or through a secured site such as PayPal.

With PayPal, when you use them don't pay via a bank account, use a credit card. I've had bad experiences here too with EBay and PayPal, back in the mid 90's I bought an antique table from EBay and it never came. Months passed so I tried to get a refund and they said no. Luckily I used my discover card as the payment funding to PayPal instead of my bank account and they protected me. Had I let PayPal use my bank account to withdraw the funds from, I'd be out the \$600.00 I spent on the table. This happened to be a health issue and not a scam. Six months later a woman emailed me about my purchase and wanted to ship the table. Her husband had passed away and they lived in California. It took her six months to understand and get up to date with all of his internet activities. By that time of course I had already replaced the table so we were good to go and no longer needed it. It's amazing how things happen, not every incident that seems evil is, bad things happen to very nice people.

We have a wonderful identity theft kit that Nick has created and we're happy to share it with you or your organization to keep everyone you love safe. It shows what behaviors to stay away from if you want to stay safe. If you'd like a copy of our kit, feel free to email us and we'll get it right out to you. If you'd like copies for friends or employees that is okay too, this is not a case of proprietary information, please feel free to share it with people and hopefully we can save some nice folks a lot of aggravation and heartache.

Television in the Future

I remember my mom telling me how as a child she never had a TV. I couldn't fathom this as a child, just as my kids cannot fathom I never had computers or cell phones as a child. Of course I'm a relic because of these inventions in their eyes and how could they possibly live without computers or the internet. They don't have cell phones but most of their friends do. When I was a kid we had maybe 20 or 30 channels on TV and our ability to change channels was get up and go over to the TV and change the channel with a rotary switch. Years later, we bought a big brown box from our cable company and it had a cord, so if you were within 20 feet or so of the TV you could change the channels by pressing one of 15 buttons in a row across this box with an up and down switch on the left and a rheostat on the right. Today of course we all have the remote, but we also have the ability to change channels, record shows to DVR, not watch any commercials at all, even do this from across the world on our smartphone. The phones now also act as remote controls to control every gadget in our home and life, in person or remotely through the internet. Mind boggling, but really cool at the same time.

How we consume television is also changing. The internet has revolutionized how content is delivered to us and the cable industry is scared. They're trying to block laws that will allow shows to go right to us through the internet, to any of our connected devices, without the need for a cable company. Netflix, Amazon, Hulu, Roku, Redbox, Youtube, etc. are some of these firms delivering media to us in ways we never expected. I use direct TV and they of course have an app so I can watch shows anywhere on my phone, laptop or other device as long as I have an internet or cell phone connection. The cable companies "packages" are insane on many levels with how many channels you can get, but do you really need the packages? Of course not, and this new competition may cause them to unbundle the nonsense and allow you to access just the data you really want. Most companies, satellite providers included, will force you to buy all types of media you'll never use, often in other languages, just to get the things you really want. Be careful of how you're billed as well. We noticed this month that our satellite company auto enrolled us in a football package that we never asked for. This is the 2nd time they've done that and I was really disappointed at this. Not only is this stuff costly, but now you're getting items you don't ask for and need to spend a lot of time on the phone with them to fix it and get a correct bill. This is nuts!

How far can they go with the costs of media is another thing we must factor in. ESPN has had mind boggling pricing power for decades, now with competition from Fox sports and other entrants into the arena; it'll be a lot more competitive. Live shows and concerts are just about out of hand. I wanted to go to the Pink concert and nosebleed tickets were \$239 each. Good seats where you could see the performer and not have to watch the TV screen at the arena were \$1200 each. Ouch, how can this be possible? We opted to watch it on TV for free in a far more comfortable environment but it's just not the same. Market and competitive forces are at work here, so hopefully we'll see a far more open ended environment soon! ☺

Noteworthy News!!!

- Congratulations to Liz Stich on her recent induction into the New England basketball hall of fame! ☺
- Congratulations to Chip & Isabel Freire Szalapski on their recent marriage, the beginning of a beautiful life together! ☺

Question & Answer

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

Q: What is moral hazard, the media talks about this constantly but there is no clear explanation of what it really is.

This is indeed a hot topic today with the media and for great reason. Moral hazard is the separation of risky behavior and the associated consequences of said behavior. If there is no connection between a risk and the associated potential negative outcomes, people are far more likely to take on the risk and not appreciate there is risk present. This is seen in all aspects of life for everyone on the planet. We all know if we break a law and steal, cheat or harm someone we will be punished and may even go to jail. This is ample incentive for 99% of us to behave well but the incorrigible 1% of the population currently locked up are gluttons for punishment. They didn't heed the warning! ☺ We also all know if break the posted speed limit; we will get a ticket if we're snagged! This is a risk many more of us will take as the outcome is far less painful, pay a few hundred dollars and deal with increased insurance rates. It's equally common knowledge for most of us that if we go to the casino, chances are we're going there to make a donation to them and we'll come home with less, but we justify it as the costs of a night out on the town.

In the financial world today there are many distortions in markets and asset prices primarily due to the global central banks printing and throwing money into the system. These distortions have made a financial system where people are punished for saving their money in a bank, they earn basically nothing. Savers in safe and secure investments such as treasuries are equally punished as these instruments have been so compressed that some of them have negative yields. Yes, negative yields where you'll have to pay the government you lent your money to rather than earn interest as the lienholder.

Equity, bond and commodity prices have equally inflated values and seem to have no risk today. Obviously they have risk and the risks today are outsized, larger than I've ever seen. Markets trick most people most of the time so now that people feel fat, dumb and happy and if there is no risk that is exactly the environment where risk comes out and bites the average person and institution. Everyone seems to believe the central banks have the situation under control and protecting everyone from declines of any type. This isn't their purpose, nor is it how the markets work so it is possible if not likely the situation will get out of hand and central banks have no tools left to deal with issues when they arise since they're already all in on policy. Central banks and political cronies have manufactured a false sense of wealth and security. This is new territory unlike we've ever seen before, stay tuned, moral hazard is rampant but won't end well! ☺

IRA Rules (continued from page 1)

the numbers if necessary as well.

- With these distributions you do not get credit for prior years if you took out more than required. For example, if you needed to take out 5k in 2012 and took out 15k, it does not mean your 2013 distribution is forgiven.
- Enron Effect – the IRS has determined if an account deteriorates in value due to the investment and there is less than the RMD, in this case Enron shareholders, the IRS will not require them to take money out they do not have. How benevolent!
- For the very first distribution, it'll happen at either age 70 or 71. You must use the age that you turn 70.5 as the first distribution year. If you don't, you'll need to take two distributions the following year. This is often referred to as the double RMD trap but can be easily avoided if you know the game.
- If your birthday is between January 1st and June 30th take the first distribution at age 70.
- If your birthday is between July 1st and December 31st, take the first distribution at age 71.
- When you calculate how much needs to be withdrawn from IRA's, you must include all of your accounts in the calculation. You do not need to withdraw from all of the accounts, but all of them need to be factored into the equation. If you're rolling accounts over from one custodian to another, those amounts in transit also need to be used in the calculation.
- Naming beneficiaries is a massive advantage to retirement accounts. By naming a beneficiary you can determine who is to get the money when you pass on. The beneficiary process doesn't require probate court approval, transfers outside of the execution of the will and happens in a matter of days. You can name 3 levels of beneficiaries, primary, contingent and tertiary or 3rd level beneficiaries.
- Within the beneficiary ranks, you can change the named beneficiaries at any time. The beneficiary process can also be applied to non IRA accounts as well by choosing a TOD (Transfer on Death) beneficiary. It's the same concept as a beneficiary but on a non-retirement account.
- 5 year rule is a must for those who inherit an IRA and the owner passed before the required beginning date for RMD's with no named beneficiary. The 5 year rule says that the entire IRA balance must be withdrawn by no later than the end of the year containing the IRA owner's fifth anniversary date.
- IRA's that are inherited cannot be rolled into or commingled with your existing IRA's. They need to be segregated and dealt with individually. If you're stretching the IRA, you need to open a BDA (beneficiary designation account) commonly known as an inherited IRA account. From these accounts you can take the RMD annually or all at once, whichever you've chosen to do.
- If you or a loved one needs help with anything IRA use us as a resource, we'll clear up any confusion and explain your options in plain English. ☺

Money Quiz



This month's challenge is on cheap homes. What percentage of homes purchased in the 1st quarter of 2013 nationwide were in some stage of foreclosure? Last month's quiz was won by Bob Johnson, 465 banks went under from 2008 – 2012. Hopefully this trend is over! ☺ Winner goes to Ruby Tuesday on us! 06/10/13:5

IRS Correspondence

Good old Uncle Sam doesn't send emails to taxpayers. He doesn't blog, Facebook, tweet or have an outreach program on LinkedIn. There is a great IRS website that has more information than any of us will ever digest, but it is there for your perusal, nothing is emailed to you from this site by the IRS. Beware of anything you get that is supposedly from the IRS that does not come in via the United States Postal Service. If you do get such a communication, you're the victim of a scam where someone is trying to get you to give them information. Don't fall for this nonsense. Emails from IRS, scam. Facebook message posted on your wall from the IRS, scam. LinkedIn message or attachments from IRS account directly to you, scam. Twitter message from IRS, scam.

All of these ploys are attempts to get you to reveal your personal and sensitive financial information to crooks for bad and underhanded purposes. Since the IRS does need your social security number to process your return, it's a normal piece of information that you give them. The IRS never asks you to verify your social security number with them. They know what it is; they can cross reference social security records. Try to claim a dependent and type in the wrong social security number, you'll find out within a few months just how good they are at matching social security numbers to taxpayers. This is one of the few agencies that should get your very private social security number so a request from them for the number can seem legit, but it's not so beware! Never give this number to anyone who doesn't really need it, which are most places that ask for it. You'll need to give it to the IRS, banks, the tax preparer, employer, insurance companies and investment firms like us. Your doctor doesn't need this number nor does the contractor so keep it private. Don't carry around your social security card either; it's the one piece of information that is critical in stealing your identity. Once someone gets your social security number they can then open credit in your name, assuming you have worthy credit. If your identity is compromised, it'll take you a long time and lot of aggravation to clean up your record and restore your good credit. A lost credit card is a walk in the park compared to a stolen identity. Protect your information; never fall prey to phishing scams such as the IRS needs your social security number nonsense. ☺

Game Changers

We've got some technologies today that are changing our world. We may not see it on a daily basis right now, but they're becoming more mainstream every day. Let's look at a few of these cool new things happening in our world that are likely to influence things in the years and decades to come.

Three Dimension (3D) printing is a new and upcoming force that may revolutionize manufacturing. This is just like it sounds a printer that can "print" an object from some type of material in virtually any shape. It slowly layers the material and builds a 3D product. This is commonly used today to come up with prototypes of a product that is to be introduced to the world. It is also becoming common in traditional manufacturing as well. Many industries use the technology today from automotive, dental, education, architecture, aerospace and construction. Printers are now printing solar cells, firearms and a host of other products we use daily. Printers are soon to be seen in retail stores for the consumer. I'm not sure what we'll print and how practical it is for the consumer, but it is a great technology. Kids will love it as they can design and print jewelry, trinkets and anything else they can imagine. I've seen all types of things that have been printed including chocolates of any imaginable design, jewelry, phone cases, musical instruments, human cells, shoes, food, plates, clothes, lights, art, models, brushes, bicycles, cups, etc. This is game changing technology.

Fracking is an energy extraction technology where firms are now able to get a lot of energy products (gas and oil) from wells long considered dead and from places formerly believed unrecoverable. This technology has turned America into a net energy exporter rather than an importer and created booms in the Dakota's and possibly many other parts of the country if the law can get out of the way. This is something we as a country must capitalize on as the world's thirst for energy isn't ending anytime soon. It'll be a powerful tool both economically for our nation and politically for our world if we can get balance in energy globally. This fracking technology involves taking tiny "sand" particles and using them mixed with water and chemicals and injecting them into the ground under ridiculously high pressure to make creases, or fractures in the ground, for the energy to leak up to the surface, thus increasing the recovery rates for energy extraction. Monster reserves of energy are not only available in America, but we've now been told there are massive deposits that are now recoverable in Europe, Russia, the arctic and China. This has caused business booms in the sand arena as well; the process requires a mountain, literally, of sand to be brought to each site where extraction is happening. Some people worry about the impacts of fracking and there are groups fighting it. I don't know the merits of each side yet, but it'll be very interesting to see how this plays out in the coming years. Land that was once worth very little can now be worth a ton if fracking can extract underground energy! ☺

Inspirational Quotes

- Accept responsibility for your life. Know that it is you who will get you where you want to go, no one else, Les Brown
- One of the most important keys to success is having the discipline to do what you know you should do, even when you don't feel like doing it, author unknown
- Good things come to those who wait, better things come to those who get off their butts and do something about it, author unknown
- Happiness cannot be traveled to, owned, earned or worn. It is the spiritual experience of living every minute with love, grace and gratitude, Denis Waitley
- The best revenge is massive success, Frank Sinatra
- I am thankful for all of those who said no to me. It is because of them I'm going it myself, Albert Einstein
- Life is like photography, you need the negatives to develop, unknown author



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

Don't make excuses; make things happen; make changes; make history!

Dinner with the family is so important and often overlooked. How often do you sit down as a family and talk about your day over dinner? Dinner shouldn't have any distractions, no TV, no iPods, no phones, no laptops, just people looking at and communicating with one another. We find that over a meal is a wonderful time to learn about your child's life and is also full of teachable moments. This is a wonderful time to ensure your child can communicate with people one on one, looking them in the eye and having a conversation like you and I are used to having. So many of today's youth are expert at texting and playing on the phones but they have zero intrapersonal communication skills. It is our responsibility to make sure we're not bringing up little robots that can run machines but cannot speak to other humans well in person. Any other ideas on this please pass them on and we'll share the wealth with everyone else. 😊

Don't make excuses; make things happen; make changes; make history!

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