

The New Healthcare Plan!

It appears we get the joy and blessing of this new law bestowed upon us soon, since Oct 1st is when certain parts of the law begin. I never thought this would come to pass in its current form; it doesn't address the real issue, insanely high and forever rising medical costs. There is no question our old medical care system is in need of help and lots of it. We don't have an issue with the quality of care; our medical care system is the best in the world, bar none. Our issue is with the costs of care, access to insurance, lack of personal accountability, fraud in the system and rampant waste.

Sadly this new mess of a healthcare law doesn't do much in making things better. It certainly makes them more complex, as does anything government runs. More complexity doesn't seem to be an effective recipe to saving on costs; rather it appears it'll bloat costs with more administrative minutia, less efficiency and zero accountability. Already the estimates of implementation costs have been blown out of the water, many now at 200 & 300% of original estimates. One great thing this law will bring is that insurers can no longer deny coverage for those who have pre-existing conditions. This has been a long term issue that has forced many very kind people into bankruptcy just because they were unfortunate enough to get very sick and had no benefits and couldn't purchase them.

How ironic that the lawmakers have named this beast the "Affordable Care Act." I read this and laugh. This must be a sad joke as it isn't shaping up to be anything resembling affordable at all. In fact, costs will raise more than they would have without it. Sadly, our hypocritical members of Congress have conveniently exempted themselves from this law we all must follow. We need to make the elected officials live with the exact same laws we all must live with.

Preliminary numbers look bleak from a pricing of insurance perspective. Until now, an insurance company would take a medical history of a person and accept or deny coverage based on the risk they posed. This was completely unworkable as a person with an existing health issue simply couldn't get health insurance on the retail market. They could go to a guaranteed issue plan with the state where they resided and get an

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NSA Oversight

This is arguably the hottest topic of 2013, the big brother oversight that our government is snooping on all of us as well as many people in the world. They're basically forcing the big tech companies to hand over the data on our lives. What we do on our computers, cell phones, regular phones, emails, etc. The big data firms such as Google, Amazon, Apple, Facebook, Twitter, LinkedIn, phone carriers, etc. are required to forward information to the government on our daily activities and then it is stored, supposedly forever. How you track and organize the activities of 315 million people is a mystery. I'm torn here as the crazy lunatics who perform acts of terror need to be stopped, but we also need to protect our privacy and liberties. The fact that it is happening to all of us and not just those suspected of being lunatics is indeed bothersome. Part of me hopes the NSA is forced to stop its activities unless you are a suspected terrorist and the other part of me doesn't care what they know about me. Many don't want them knowing anything about them and that is completely understandable.

They can spy on me all they want; my simple and boring life isn't of any real interest to anyone nor do I have anything to hide. The only thing I do that is illegal is speed sometimes and pass someone going painfully slow on a thoroughfare; I'm too wimpy to do anything else against the law. My issues are not a big enough problem to focus on with the magnitude of the problems in our world today. I may have an ultra-vanilla life today, but as a stupid teenager I did plenty of dumb things that I'm very lucky and blessed I survived. I've always had a love affair with speed so my exceeding the speed limit by 10-15 mph today is nothing compared to the lunacy of what I did as a kid when I thought I was invincible. How time and wisdom humble us!

The world today is ominously reminiscent of George Orwell's 1984 novel, about a world where the government controlled absolutely everything on every level. Back then terrorism wasn't a household word and we couldn't have fathomed what a threat we'd be facing today. Being an eternal optimist, this realm of insanity we live in will hopefully end soon and usher in a new era of normalcy where people help one another and care for one another more. A lot of that happens every day today, more than we can imagine and for some reason all of the incidents of kindness, generosity and benevolence go unreported while the media seems to focus on the incidents where people fight and go to war and try to wipe each other off the face of the planet. There is a whole lot more good going on every day than evil so we must focus on what is happening most of the time and also on the positives.

It is hard to believe this is happening, but in typical American fashion, good may come of it. Along the lines of big data there is an entrepreneurial group who is taking data that is currently collected, not NSA data as it is unavailable to the public, but public records. (Continued on page 3)

New Health Care Plan! (continued from page 1)

insurance plan regardless of health status at an astronomical price. The insurance pricing mechanism we've always had priced contracts based on risks. If a group had more claims, they would pay more premiums and vice versa over time. The old plans rated people based on age bands. Anyone age 20-25 paid one rate while groups aged 26-30 paid another rate. Young people paid very little as they do not use the system much while older people paid a whole lot more. Our current model allows people to buy what they need for insurance. For a family such as mine, we have a health plan that covers the "big stuff" but not maternity as we are done having babies. We have a high deductible plan where we pay for the first \$10k in expenses and then the plan covers 100% of the expenses after that. We also put money into our Health Savings Account and allow it to grow over time. The new rules will now make younger people pay a whole lot more and the older crowd is still a question mark. The new rules will not allow you to do what we are doing as all plans will need to cover everything from maternity to office visits, etc. This will automatically make costs go up for groups of people who use the system the least. It would be a logical conclusion to make those who use the system the most pay more. If you smoke and use the healthcare system a lot more it would be appropriate for you to pay more for insurance as you're taxing the system a whole lot more than someone who doesn't. Think of it in terms of auto insurance. Your rate is determined by how many miles you drive each way to work, how many accidents you've had, what your credit score is, the type of car you drive, etc. These characteristics allow the insurer to see what your propensity is to have an accident or a claim and price the contract accordingly. The same is true if you were to go for a life insurance policy, they need to know what your family medical history is, if you take any medications, if you have a history of cancer, heart disease, addictive habits or anything else that may shorten your life expectancy. Insurance is priced based on the risks taken on by the insurer; this is how the system works.

This new law doesn't allow the insurance company to properly price the risks. They cannot deny coverage, they cannot cap the amount of claims they'll ever be responsible for, they cannot discriminate, they cannot look at your medical history, and they are handcuffed in many ways. I don't have any pity for the insurance industry; they're responsible for creating the monster of a mess we have today. On the other end of the spectrum we're not giving the population at large any responsibility for their own behavior. Why not smoke, party hard, drink, never exercise and live the life of Riley as you'll pay no more for insurance than someone like you or I who try to do all of the right things. Until now, some people tried to get insurance but it was unavailable or unaffordable. Now it'll be available but affordability is still a question.

This is like allowing the driver who travels 50 miles a day to work with 4 DWI's, 2 reckless driving charges and 3 totaled cars the opportunity to buy auto insurance for the same rate as Mother Theresa who doesn't own a car. It's not mathematically feasible over time. We also need to address the defensive medicine aspect of our system. We're all human and make mistakes; it cannot be a lotto system for those willing to twist the system for extortive purposes. ☺

Offer to Purchase

We see these "offers to purchase" all too frequently being sent to our clients. An offer to purchase is an unsolicited offer from an unknown entity attempting to get you to sell your shares of an untraded security to them for a specified price. This sad but common fishing technique only applies to non-traded or untraded securities. Amazingly, many investments are non-traded, which means you cannot trade the shares on an exchange such as the NASDAQ, NYSE, etc. these private placements are very different than the stocks most people think about each day. I am not an advocate of non-traded securities in general and I have never, not once, recommended one or been involved with the purchase of one. We deal with them a lot since many people do buy these things and when they hire us to help them we end up working with these securities a lot, too much as far as I'm concerned.

A publicly traded company is one whose shares can be actively traded on any exchange instantly. Most monster corporations are publicly traded companies, and chances are a lot of the products and services you use every day are provided to you by a publicly traded corporation. Companies such as Google, Yahoo, IBM, GM, GE and Proctor & Gamble are examples of publicly traded companies anyone can trade in on the stock exchanges on a day to day basis.

Many of the private placements are Real Estate Investment Trusts (REITS), Energy or Oil interests and Delaware Trust companies. The way these investment vehicles work is a firm will raise money for a particular project, business or adventure and once the money is raised, set out on the original mission. These can be very big deals, with some of the projects raising tens of billions of dollars to buy real estate, drill for oil, develop land, build shopping or medical centers, etc.

Since these investments are not traded on an exchange, they're difficult to value. The old rules allowed companies to set a specific value to the shares and leave it as that. It was common for many of the private placements to have a set share value or net asset value of \$10.00 and it never changed. This is quite deceptive since obviously the value of anything changes over time, so the accurate value should be reported so there are no surprises to either party when a transaction needs to be made.

New rules now require many of these items to be priced every so often. Depending on what assets they are, some need to be priced every year or every 18 months. At least now the consumer knows the values do change and a value is set for the asset. Not all assets have a pricing rule; we still see some that never price so beware. We're currently seeing an offer to purchase shares of a non-traded security for \$9.00 per share and the current share price is \$8.25. Although this seems like a deal, this security is about to be acquired by a public company in a stock sale so the owner will soon have \$11.25 in value of another security. This is obviously not in the owner's best interest to agree to this deal. Some of these non-traded securities only are available to be sold upon a death or disability or confinement to a nursing home.

Noteworthy News!!!

- Congratulations to Susan Graham on her new job with Favor, Inc! ☺
- Our condolences to the Edson family on the passing of Rob, a wonderful man, husband, father, uncle, coach, son and man.
- Our condolences to the Bennett family on the passing of David, a wonderful man, husband, father, uncle, son and man.
- Our condolences to the Cramer family on the passing of Thomas, a wonderful man, husband, father, grandfather, uncle and friend.
- Our condolences to the McGowan family on the passing of Frank, a wonderful man, husband, father, grandfather, uncle and friend.

Question & Answer

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

Q: *What are hawks and doves in regards to financial commentators?*

This is a great question and one that certainly deserves attention as these terms are in the media a ton today. Many in this industry all too often talk with too many acronyms and industry specific terms that leave the public out of the loop. I try to keep it as simple and non technical as possible so please reach out to me if you find it's too industry specific. We're obviously not talking about birds here, but we're making an analogy to how birds behave.

Hawks are obviously a really aggressive bird of prey whose job is to take down small animals for a meal. Many times when the hawk attacks it's an ugly scene as carnivore defeats prey. If the hawk doesn't make a kill the hawk doesn't eat, so it's highly motivated to find and consume a meal. Owls are not hawks by the way even though they fit the generic description, just an interesting fact! Doves, on the other hand, are a gentle species of bird that eat seeds and fruits and small plants. Doves are not carnivores and will not attempt to eat meat, even if it runs upon it. Never does a dove attack another animal looking for a meal; they only get into a tussle with other creatures if and when they're defending themselves from an aggressor. The Dove may be the meal, but they're never the attacker.

When you see hawks and doves in the financial media, what they're referring to are the various heads for the Federal Reserve Banks around the country. Some are considered Hawkish if they are in favor of reducing or ending the extraordinary monetary policy that has now been in place for years. They're considered hawkish as that type of move isn't "supportive" of the economy. The fact that the economy is still running on government training wheels 5 years after the recession isn't part of the common sense equation in giving these folks a nickname. If the Federal Reserve head (commonly called Fed-heads) is in favor of the current extraordinary monetary policy, they're considered dovish. Dovish meaning they support the economy and don't want to rock the boat. Doves are of the opinion all of the money printing is okay and perhaps they should do more. There is no link between this type of policy and unemployment, which the Fed now claims is one of its mandates. Also, many of the moves the Fed has been making are bailouts for politicians who cannot seem to do the right thing on an economic level. We'll see how it plays out! ☺

NSA Oversight (continued from page 1)

The records are being used to try and predict who may be at risk for future criminal activity. Yes, that is what I said, using data and an algorithm to try and predict who is most likely to commit a crime. This isn't just one entrepreneur; it's a host of computer techies, geeks, scientists, entrepreneurs and inventors who see that with all of this data being stored. There are wonderful things that can be harvested from this information.

The study that made the case that this technology is really possible happened in Kentucky. The study was done by looking at criminal records owned by Intelius and also looked at certain characteristics of the study group. A computer algorithm was tested against tens of thousands of criminal records where they looked at the minor infractions, eye color, skin color, traffic violations, gender, piercings and whether or not the person had tattoos to try and predict who may most likely to commit a felony later in life.

The study was done without the actual criminal histories to see how accurate this system is and the results are impressive. The study ran through over 53,000 records and it correctly identified 51,300 but it incorrectly put 2200 innocent people into the category of felons. This was at the most aggressive settings, and at a more lenient setting, the system identified 38,000 felons while mis-identifying 150 non felons. Far from perfect, but this is a piece of software every law enforcement agency in the country wants to get their hands on knowing how much easier it could make their lives. The war on gangs and guns and drugs could be targeted on a whole new level with a tool such as this if it becomes available commercially.

The civil liberties groups are having palpitations at the possibility this may be part of our future and it is only one example of what can be done with the big data that is now part of our world. Google is the leader in the space as they store everything you do online whether you're using their search engine, their browser, their operating system (android) their email, their laptop, YouTube etc. They have arguably the best overall knowledge of any of us since they see our activities on so many levels of our lives. Google analytics tracks every movement on the web, who visits what sites, how long they're there, what page they found the site from, the search words that got them to the site, etc. Many of the webs features are free to use, but the price you're paying is with your privacy. Facebook, twitter and LinkedIn are working on the same. They're great tools or toys and do addict people, but the toll is data and privacy on a lot of levels and how that will be later sold to companies as targeted lists for the consumption of goods and services is unlike anything we've ever seen. These companies know so much about us they can identify anyone in the town, state, county, or country who is a 21 year old female Yankees fan who is an independent Christian, living in a single family home, who gardens and does yoga, doesn't consume alcohol, and watches a lot of lifetime television. This is a targeted marketing list like has never seen before. Old school target marketing would be all of those age 20-25 or 40-45 etc. in a certain zip code. The accuracy of the data that is being harvested on each and every one of us who uses the web and all of our technology today is indeed mind boggling.

Money Quiz

This month's challenge is to tell us what percentage of tax returns fielded in 2011 reported adjusted gross income of \$30,000 or less? Last month's quiz was won by Lauren Zoeller, 50% of the population accounts for just 2.7% of health care costs, the healthiest 50% that is. Of course this means the other 50% account for 97.3% of expenses. ☺ Winner goes to Ruby Tuesday on us! 09/16/13/:9

Rotating Asset Bubbles

The concept of a bubble wasn't common until shortly after the turn of the century in everyday conversations. Bubbles have always been with us, dating back to the 1700's when we had a tulip bubble. So many years had passed since we had a bubble that people didn't commonly speak about them on a daily basis. Since 1999 was the date when the internet bubble began, many investors today clearly remember how it was and how it played out shortly thereafter. The sweet feeling of success is often followed by the sharp sting of a slippery slope that is the other side of a bubble. It was from 1999 – 2001 that we had the internet bubble and at the time everyone said "this time is different" since these new companies were so profitable and didn't have the expenses of their brick and mortar cousins, the high values were justified. In investing, the next time is NEVER different. Let me repeat this, it is that important that you never forget this phrase, it's never different this time with investments.

Following the internet bubble we let only a few years pass before the average American became addicted to another asset class, the homes we live in. We knew for years that real estate was unsustainable, values don't always go up and the mortgage underwriting had deteriorated to asinine levels.

Across the pond, our neighbors there are not immune from this syndrome that impacts human nature; it doesn't apply to only one race, language, culture or continent. It's applicable anywhere humans interact. Iceland had a real estate and banking bubble a few years ago. Japan had the financial and real estate bubble through the 80's and 90's.

These bubbles are not uncommon in history, but the frequency at which they're happening today is certainly far more common than at any point in history. The common thread of all bubbles is a psychology that makes people believe prices can only go up and easy money. We've never seen easy money policies like we have today so it's a natural outcome for such policies to couple with natural human tendencies and result in the ominous bubble. Today we're in a global asset bubble in many areas, again led by easy money policies. It's time to be careful and aware, not to put your guard down as it's a dangerous playing field today.

OPM as it is often called, we commonly refer to others people's money as something we'd love to have, but clearly treat differently than our own. We're always ultra-careful with our own money and never try to make a mistake or be sloppy with an asset like money that is just not made on trees as our parents always told us. When we finally realize as adults just how hard it is to make money, we suddenly find a whole new respect and perspective for this tool.

I've noticed a clear pattern of behavior that is true in many facets of life where people are using OPM and clearly behave differently than if they were using their own money. Let's start with our children, we know for a fact they're clearly less responsible with the money we give them than they are with their own hard earned (or more commonly gifted) money! ☺ This is totally understandable for our kids as they haven't learned yet. I see it happening with adults too on many levels.

Where in our lives as adults do we interact with other people's money? The best example is in health care. Most of us have insurance and that pays most of the bills when it comes to our health care. Many policies have copays and deductibles, but rarely do we pay for our own care on a 100% level when it comes to our health care. If you have a \$30 co pay for medical care at the Dr's office and then a \$1,000.00 deductible for any hospitalizations, it's the minority of the costs, not the bulk of them. If we were using our own money we'd be much more careful consumers of health care. We'd also shop around for prices and deals. This is the only area of our consumer world where we don't shop for a good price. We don't care what it costs; we just want the best care known to man. Expect this to change as time evolves. Lasik eye surgery is the exception, since it isn't in the insurance world; it's very competitive, efficient and price conscious.

In education, we also see this practice in play not as an irresponsible act but as the intention to get an education, which is honorable. This is typically an uninformed act of kindness, blindness or fiscal insanity; I'm not sure which one. Most kids cannot get their heads around \$500.00 in a bill, never mind the actual costs of college today. We use grants, student loans, parents money, work study, etc. to get through this process. I see many families bury themselves in this college Bermuda triangle while trying to get their kids an experience of the college degree. I see it happening from the kid's perspective as well as the parental perspective.

We see arguably the largest distortion of OPM in the public sector when it comes to towns, cities, states and the federal government. Since none of what they're spending is their own money, they are quite sloppy and irresponsible with it. Here we see a mind boggling matrix of rules, grants, debts and endless games that are played on a day to day basis to keep a powerful set of people in power. This too is unsustainable and will end soon. I'm very surprised here just how far they're willing to push the envelope. From a perspective of self-preservation I see it, but where is the stewardship that comes with power and leadership positions?

Inspirational Quotes

- Success is not final, failure is not fatal, it's the courage to continue that counts, Winston Churchill
- Today there are three kinds of people, the haves, the have-nots, and the have-not-paid-for-what-they-have's, Earl Wilson 1905 (over 100 years ago and I would have thought it was today)
- The successful warrior is the average man, with laser-like focus, Bruce Lee
- A person who aims at nothing is sure to hit it, anonymous
- I want to be all used up when I die, George Bernard Shaw
- Turn your wounds into wisdom. Oprah Winfrey
- If you're going through hell, keep going, Winston Churchill



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

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

I've heard from many people they have a pet peeve when they go into a store and checkout with their purchase. Often times a young adult is working the counter as a cashier and helping us check out with our purchase. The common peeve is the person running the cash register cannot make change with their mind; they're dependent upon the computer, cash register, iPad, or whatever the instrument of choice the store is equipped with to make correct change for the customer. This is a joke, why can't anyone make change, regardless of age. My princesses are 12 & 13 now and both could work the register today with accuracy. If the purchase is \$5.25 and you hand the cashier \$20.25 it really should be automatic that the change is \$15.00 without the need for a machine to calculate it. The math never goes away in life; your kids will never regret the ability to make basic calculations in their lives. From balancing their checkbooks, handling finances, shopping, running a business, competing, and doing daily tasks, the skill will never go unused. ☺

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