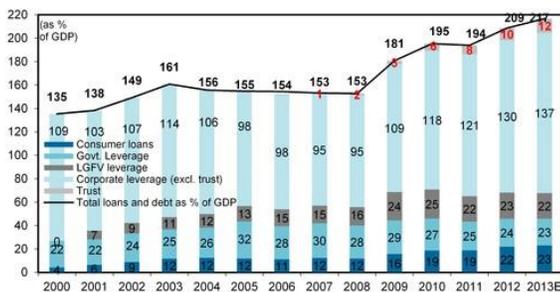


Government Obesity

We as citizens must work hard to keep our waistlines from expanding out of control. It's not easy as well all know. What separates an adult from a child? A child grows at each end while an adult grows in the middle! ☺ Funny indeed, but sadly in many cases it's true. It seems as though America is finally dealing with this weight epidemic and people are embracing health. Health foods, health clubs, all types of exercise programs from personal training, Nautilus, Cross Fit, P90X, Insanity, Spinning, Yoga, Pilates, etc. This is all great stuff and if we do it consistently and take care to fuel our bodies with actual fuel, not the good tasting but unhealthy junk foods we all desire, the medical outcomes will be great!

Just as we must take care of ourselves, we must also take care of our country. We're currently not being very good stewards of our finances as a country and much of the globe. The old adage of you can only spend what comes in is how we all live on a day to day basis. If we spend more than comes in, we quickly find that we're accumulating debt at a scary pace and at a certain point the creditors turn off the debt spigot and suddenly our spending binge is instantly turned off. We then deal with how to pay down and off these debts we've accumulated.

Since the great recession in 07 – 08 most developed countries have been trying to spend their way to prosperity. It's not going to work and mathematically it's a joke, but they sure are accumulating monster debts in the process. We're doing this here in America and Europe is drinking from the same well as is Japan and China. Nobody talks too much about the debt levels in China as they're reported on a lot of different levels, but here is the reality. Here is the Goldman Sachs visual on China's debt.



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2014 Financial #'s of Interest

The start of the New Year rings in a whole new set of laws to guide us as to what we can do and how much of anything is a good thing, according to good old Uncle Sam! These updates are mostly annual changes to the tax code in various areas that impact most of us on a day to day basis. Here are the big and important changes you need to know about for the New Year.

Income Tax rates for Married Couples

Income	Tax Rate						
0 – 18,150	10%						
18,151 – 73,800	15%						
73,801 – 148,850	25%						
148,851 – 226,850	28%						
226,851 – 405,100	33%						
405,101 – 457,600	35%						
457,600 +	39.6%						
Capital Gains							
Federal Bracket	10%	15%	25%	28%	33%	35%	39.6%
Short Term	10%	15%	25%	28%	33%	35%	39.6%
Long Term	0%	0%	15%	15%	15%	15%	20%

Don't forget the 3.8% surtax on capital gains, conveniently not put in the published tables but there nonetheless for those with higher incomes. This is tricky and will get a lot of people, especially in years when we have big stock gains. If your AGI (Adjusted Gross Income) is over \$250,000 as a married couple filing jointly or over \$200,000 as a single taxpayer you'll see an additional 3.8% surtax (part of Obamacare, this a gift that just keeps on giving). A home sale is not impacted if your gain is less than the tax free amount. The tax free capital gains exclusion for your primary residence is \$250,000 for individuals and \$500,000 for couples filing jointly and that is just the gains, not the entire value of the sale. If your gain is above those levels, yes your home sale will be hit by the Obamacare capital gains tax. For a married couple filing jointly that exceed these income levels, here is what the tax rates really look like when you include all of the Federal moving parts:

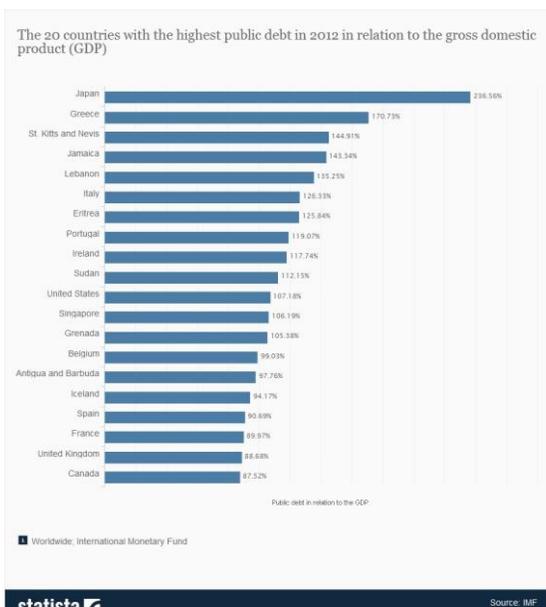
Federal Bracket	10%	15%	25%	28%	33%	35%	39.6%
Short Term	10%	15%	25%	28%	36.8%	38.8%	43.4%
Long Term	0%	0%	15%	15%	18.8%	18.8%	23.8%

This is just the federal capital gains taxes, so plan on adding your state taxes to this mix as well. In CT we have state income taxes that go from 3.0% - 6.70%. New Yorkers pay anywhere from 4.0% - 8.82%. When you add it all up, capital gains have become painful the past few years. We were spoiled!

With debt levels in China at 217% of GDP the question I keep coming back to is sustainability. Not a chance of course, you cannot spend your way to oblivion without any consequence. Right now, the debt levels appear not to matter, the flood of liquidity governments across the globe have injected into the system has investors looking through beer tinted goggles and they're not properly assessing risk levels.

When we look at the G7 Countries (The countries that comprise the G7 are the USA, UK, Canada, Italy, France, Germany and Japan) attempt to borrow their way to prosperity, they've spent \$18.00 in debt for every \$1.00 increase in GDP. In the past 5 years. Perhaps instead of calling these programs quantitative easing, we should call them quantitative fleecing. These "leaders" are fleecing the taxpayers of their hard earned money with these programs. Not exactly a risk to reward ratio that favors continuation of this strategy, you've got a better chance of picking the right racehorse on a Friday night than these policies actually helping. If it were the opposite risk reward ratio I'd be jumping for joy and saying we need to do more of this, but it's a fiscal disaster with no current pain points that ends disastrously. Think of it as high blood pressure, you can have it for decades, but if never checked you feel fine, until something pops in the circulatory system, then suddenly it's a big problem. I wish government profligacy were like a toothache, they'd address the problem right away as they couldn't think straight until the problem was addressed rather than let it fester until it pops!

Economists routinely say that a developed country can work through and be healthy if debt to GDP ratio stays below 60%. That is if the GDP of a country is \$1.0 Billion, debts stay below \$600 Million. Today most developed countries are far higher than the "safe" prescription ratio of 60%. Many large, developed countries are at twice and some at triple these levels. Is there a way out of this conundrum of the big debts that our governments have racked up? Not really is the sad but true answer. Some of these countries are ultimately going to break promises made to both bondholders and beneficiaries of many programs as debt levels remain unsustainably high.



We always try to educate people on financial topics and help them improve their outcomes when it comes to money and all things associated with it. Psychology is a huge factor in people's financial decisions so that aspect of it is just a part of the conversation when finances are addressed. For many years we've worked with anyone who needed help and requested so we've put on seminars, talks, etc. for groups that needed a financial speaker or presenter. We've appeared a countless businesses, colleges, schools, associations, radio programs and hospitals, to educate an audience. We even ran the radio show for about 5 years on finance for just that reason.

As you know our version of financial education isn't the traditional dry and boring let's talk about money, it's more of an exciting and entertaining educational with some sarcasm thrown in. We don't want finances to be boring for you so we make it fun, these two things don't usually go together just like oil and water don't. Our special method makes them blend together like two coats of paint! ☺ If you or a loved one has a need for such a thing feel free to reach out to us and we're happy to continue that and try to help all of those who ask if it is logistically possible. Many local organizations have requested we write a piece for them or appear on a show and we're happy to oblige. We've regularly appeared in many local papers, magazines and association and trade publications to fulfill the same functions.

We've been blessed beyond what we deserve in many regards and we will always try to help educate and audience in plain English, not a lot of slick and complicated financial jargon. National and local media outlets regularly seek out our opinions or insights and explanations on personal finance, the economy and trends affecting investors. Here is a sampling of some of the more recent media appearances we've recently been in:

- The Wall Street Journal
- Fox Business
- Bloomberg Radio
- New York Post
- USA Today
- CNBC
- The Bristol Press
- The International Business Times
- Reuters & www.reuters.com
- www.marketwatch.com
- www.interest.com
- www.mainstreet.com

We always try to keep you abreast of what is happening and when so you can catch the news. A lot of our recent activity has been with little or no notice so we're currently working on putting reprints of all of our appearances on our website so you can go there and read the articles, listen to the audio commentary or view the videos at your leisure. It's a process so it won't happen overnight but in the next few months we expect to have everything there. You can fit my knowledge of website technology in a thimble so our partners are working on this diligently right now. ☺

Noteworthy News!!!

- Congratulations to Mark Danaher on his new job at Newington High School! ☺
- Congratulations to Dave Urban on his recent retirement! ☺
- Congratulations to the Saraceni family on the birth of baby Michael Thomas, he joins bib sister Juliana to make the family a foursome! ☺
- Congratulations to Randee Majka on her recent retirement! ☺
- Congratulations to Greg Albert on his recent retirement! ☺
- Our condolences to the Majka/Toplitz families on the passing of Alice, a wonderful woman, mother, sister, grandmother, aunt, friend and person.

Question & Answer

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

Q: What does a Welfare State" refer to?

A welfare state is a mentality within a state or a country where people expect they government to take care of them in many ways, these people don't want to be responsible for themselves for basic welfare. These states and countries are most concerned with spending the lion's share of their public expenditures on welfare in one form of another. Most of Europe is commonly referred to as a welfare state as they have over the past 30 – 40 years built their society into this model of living where the government handles many things for the population at large. Citizens of Europe pay over 50% of their income in taxes, but have "benefits" that are unheard of in many parts of the world. This type of a system reallocates wealth through public resources towards areas the public and policy makers view as needy. This isn't a very efficient or competitive system of governing and in the case of Europe, has led to a situation where most countries have come to the point where they're a fiscal failure and close to insolvency.

This type of mentality has never been prevalent in America but it seems to be creeping into our thinking in the past several years. We've got this idea that everyone should be equal and earn the same amount, do well and all be the same, regardless of effort, work ethic, talent or ability. This is a scary mentality and it all starts with taking away personal responsibility and not keeping score. Kid's sports don't have scores a lot of times today; everyone gets a trophy in sports. This isn't how it was when I was a child and because of it, we worked hard to get ahead, we never expected something just for showing up, we had to earn it. My princesses carry this same work ethic that Cup & I have. Many of the laws we see today push this type of "equal" thinking and it is the exact opposite of what made America great. We now cancel school if there is 0.5" of snow or even the threat of snow or deep cold. People are afraid of their shadows because of a potential "liability." Hopefully it'll change and we'll get back to common sense and just doing the right thing, not milking the system for everything its worth and only thinking about ourselves. I will continue to grind it out and help as many people as possible improve their financial outcomes.

2014 Financial #'s of Interest_(cont'd from pg 1)

IRA & Roth Limits \$5,500
Catch Up Provisions \$1,000 (Age 50+)

Traditional IRA's are always fully deductible if you're not covered by a plan at work. If you are, they're deductible depending on earnings and the deduction phases out if your income is between:

Single \$60,000 - \$70,000
Married Joint \$96,000- \$116,000

Roth IRA Contribution Eligibility

Single \$114,000 - \$129,000

Married Joint \$181,000 - \$191,000

Married Separate \$- - \$10,000 (Ouch)

Work Retirement Plan Contribution Limits

401(K), 403(b) & 457 Plans \$17,500 Catch up = \$5,500

SIMPLE IRA \$12,000 Catch up = \$2,500

Profit Sharing/Solo K \$52,000 Catch Up = \$57,500

Defined Benefit/
Cash Balance No Limits – that's right, no limits at all
Call to discuss these if you're self-employed and
Want to save more for your retirement than you
Are.

Estate tax laws allow for a personal federal exemption in the amount of \$5,340,000 per person. If you plan properly and have a spouse, you can combine this unified credit amount with your spouses to make it two with smart planning and perhaps trust work to gain an overall estate tax exemption total of \$10,680,000 from the federal government perspective. Many people will need to rethink their legal strategies as these limits are substantially higher than they've been in prior years so no perhaps using all of the unified credit no longer makes sense. The federal limits are portable so you can transfer unused portions of the marital deduction to the other spouse if not completely used with proper elections and a timely filing of the 706. Any amounts above these thresholds are taxed at 40%. This is a great deal considering just a few years ago the limits were \$1,000,000 each and a 55% tax rate.

State tax law is different and in CT the exemption is \$2,000,000 per person and it's not portable. After that the rate is between 7.2% and 12% depending on the size of the estate.

Gift tax allows for an annual gift tax exclusion of \$14,000 per individual. Split gifts allow for a couple to give \$28,000 to an individual. Certain gifts can be made without having any impact on the marital deduction such as tuition payments to qualifying higher educational institutions as well as medical payments made directly to healthcare providers. ☺

Money Quiz

This month's challenge is to tell us what percentage of American retirees leave work sooner than they expected to. Last month's quiz wasn't won! Total outstanding student loan debt is 1.027 Trillion as of 9/30/13. 11.8% of the loans are delinquent. Scary! ☺ Winner goes to Ruby Tuesday on us!

01/20/14:12

Rights & Nets

This month our question to address is what a welfare state is. We wanted to expand upon this a bit. There is a portion of society that just needs help and we must be there for those people who just cannot do for themselves. We all fall on hard times every now and again and any organized society should have systems in place to help those who are down on their luck for a while until they can get back on their feet.

This is where it gets complicated, is the system to help those in need a safety net or is a right of living? This is a big question globally as governments struggle to stay solvent and people come to expect more and more "help" from big brother. We pointed out how Europe pushed this welfare rich model of society 30-40 years ago and is now on the verge of bankruptcy. Interestingly, one of the original 6 countries to join Europe in the early 50's, the Netherlands, is now pushing a welfare reform model of living to get people to take care of themselves and avoid bankruptcy.

Here are a few of the changes the Dutch are making to give the individual control over his/her destiny now and push them from big brother.

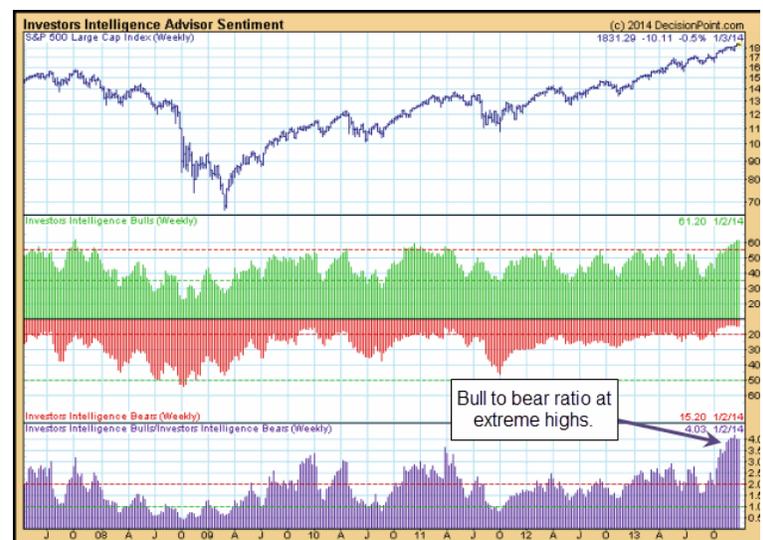
- Applicants for benefits will need to prove they spent at least 4 weeks actively searching for a job before they can become eligible for public assistance, nothing up front anymore.
- Anyone receiving assistance will either have work to perform for the government or perform community service to "earn" their payments.
- Those receiving assistance will be required to take any available jobs even if they have to move or commute up to 3 hours per day (I'm tough and this one is even hard for me to swallow!)
- Benefits will come to a household, not an individual so if there are two parents and three kids the family will not get five payments but only one each month. The government views shared expenses so they should also share the income.

I think America could learn something from the Dutch. They're apparently far more pro work than we have been for many years. It's just a matter of time before virtually all developed countries begin to establish such policies. Many developed governments are not in the financial condition to continue to provide the level of benefits they once promised. The ultimate question in this debate is the following: Is welfare and public assistance a safety net or a right? We'll see how this one plays out! ☺

When we think of indicators most of us are looking for direction in a way that makes sense. If we're traveling the road, freeway and street signs are great indicators of how to proceed and get to our destination. When we enter a destination, such a zoo or a park or an entertainment venue, the signs are obvious and point us in the right direction. We all know what the exit signs look like. The emergency broadcast system is designed to tell us to pay attention, as are emergency vehicles when they come screaming and blinking their way through our society. In the world we have a plethora of indicators that are very common sense and point us in the desired direction.

We also have a lot of contra indicators in our world as well that we may not realize on the surface. Some of these indicators hit us subliminally, others subconsciously and others we need to understand for what they really are.

Think of these contra indicators almost as reverse psychology on your child. If your baby or grandbaby will not stop running around no matter what you say, sometimes telling him or her "don't sit still" will be the only thing that will put that child at rest. As comical as that is for us to witness as adults, we know it works and works well until the kids get a little older. In life there are countless contra indicators, doctors have to read patients to see if they're really hurt and in pain or if they're addicted to pain pills and just looking for a fix. Cops must read every situation they see daily to figure out who is telling them what they are for what reason. Many times these contra indicators are only built through experience and what I refer to "street smarts." This street smarts thing is something I worry our current generation of children aren't going to have as much of because society coddles them too much. We bring the kids to organized activities, bail them out if they get in trouble, never let them out of our sight or do things on their own. The days of just disappearing after school and hanging out in the neighborhood until dark are over for a large part of our population. This theory also works well with investments. When people are feeling euphoric and overly confident, that is often the beginning of the end. The chart below shows those who are extremely confident are at all-time highs. The last time we saw this was in October 2007. Interesting!



Inspirational Quotes

- Happiness is a choice that requires effort at times, Aeschylus
- If we wait for the moment when everything, absolutely everything is ready, we shall never begin, Ivan Turgenev
- He who enjoys doing and enjoys what he has done is happy, Johann Wolfgang von Goethe
- Formal education will make you a living. Self-education will make you a fortune, Jim Rohn
- Management is doing things right; leadership is doing the right things, Peter Drucker
- It takes less time to do a thing right, than it does to explain why you did it wrong, Henry Longfellow



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

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

Kids love TV, hanging with friends, being silly and doing other kid type of things. Our princesses, now 12 & 13 are no different. We joke that the majority of shows they watch (we commonly refer to them in our house as painful slapstick teenage shows) give us a headache. We also use the TV as a place for some great teaching moments. Some of the shows are actually insane, showing the struggles of people in jail, going through addiction, etc. Cup & I have decided it's best to let the kids watch these shows, with us, and use them as teaching moments to show the girls what life can turn into if they just make one bad decision. It only takes one major screw up to turn your life upside down. It's also a nice way for the kids to develop a sense of "street smarts" right from your living room and to allow them to see what is really out there in world today. It's not all peachy cream and they need to know it. If you have any great ways to help or teach kids in any way, please let us know and we'll share them with everyone else! ☺

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