

## Scratching That Itch

Of course a perfectly natural reaction to an itch is to scratch it; it's almost an involuntary response. We do this naturally and must fight the urge to do it when it's bad for us, such as when we have poison ivy or another issue where the scratch may do more harm than good. I get such an itch in my eye sometimes and of course I rub it which I shouldn't do but that is the natural instinctive move. We must fight our human nature to do something other than scratch the itch.

Think about your dog if you have one, or perhaps a loved one or neighbor's dog if you don't. Every so often when the dog is at play it will run around the room in circles chasing its tail and have the time of its life. We laugh at it and think to ourselves how great it is they can have such innocent fun like children. Some view it a bit more critically and think that's the dumbest animal in the world not even realizing the chase target is part of its own body. I'm blown away they don't get dizzy and fall to the ground, but the tail chase can go on for much longer than we think possible. I think it's great the dog can have innocent fun but I also see an amazing parallel with the dog chasing his tail and the behavior of the human being in various settings. I see this itch scratching in many forms of human behavior; we must take stock of our situation and see if we are indeed scratching the proper itch.

Let's look at how people sometimes deal with adversity. We all have challenges and problems in life, nobody is free of this. How we deal with these issues will define us and determine where we end up at the end of the day. Some people deal with stress and challenges by hitting them head on and going after whatever the problem is until it is solved. This takes a certain personality type. Others deal with the problems by putting their heads in the sand and ignoring them, hoping they'll just go away with time. Others turn to a substance to help make the pain go away, we have a plethora of such substances today where folks can self-medicate ranging from alcohol to prescription drugs to illegal drugs. Many times if a person goes down this road they will go down one road, end up addicted and get off the substance only later on in life to find themselves suddenly addicted to something else. This type of transference is common and needs to be watched to see if the problem is really solved or if we've just transferred

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## Use it or Lose it

We've all heard this saying and boy is it true! When we have a skill, talent or knowledge base we must continue to use it or we'll certainly lose it. This applies to our physical body and our minds as well as our spirits. I've experienced this first hand with muscle mass, unfortunately I'm losing it as I get older. You know you're older when at a pickup basketball game and they make teams; I'm officially part of the old guy's team now! I'm sad about that fact but happy that I'm still playing the game! ☺ I'm even happier when the old guys win a game against the young guns. As a kid I was one of those lunatics who were in the gym every day for an hour, sometimes two. That made me physically strong, but in the years since I've done less than a stellar job of keeping my physical fitness a priority. I've done a great job at keeping mentally sharp and I work out my mind very hard every single day, but the body needs more attention now! I now find as I'm getting older it's a real challenge not to turn into Jabba the Hut so eating less, eating well and sweating every day is always on the agenda! Cup & I have been good about eating well, and we play sports and do yoga, but I've recently starting hitting the weights a little bit just to keep the degenerative process that is normal with age at bay. It just feels better in every way when you're stronger, healthier and more capable. I see no downside to being fit, both physically and mentally.

We see this in our clients as well, when people retire especially. We see people periodically and for those who retire and stay engaged, with a purpose, whatever it may be, age far more gracefully than those who do nothing but vegetate in front of the television. In our meetings we can see monster changes in people as we don't see you every day, but periodically. We also see those who stay active and engaged age very well and in some instances don't seem to age. I'd like to think we could all be in that category if we work hard and do the right things now and into the future. It's a way of life, not just a fad that moves the needle long term. ☺

Today we have so many things we can do to stay on top of our games, both physically and mentally. We have the old faithful type of activities such as working out and going to the gym or playing sports with others in our age and ability category. The YMCA is still around as is Healthtrax and the new mega gyms such as Planet Fitness, LA Fitness and the local trainers working out of their own, personal facilities. We've also got a whole new set of options such as yoga, P90X, Insanity, Pilates, Spinning, YouTube, Wii fit, etc. This is for the physical end, but on the mental end we've got to be conscious of that as well. Use it or lose it applies to both our bodies and our minds. In our fast paced and overly busy society, it's often difficult to make and prioritize the time, not find the time to take care of ourselves. We're useless to others if we're not well inside. (Cont'd on page 3)

the problem to another area. When transference occurs, the real problem, the underlying itch, hasn't been dealt with and we're just dealing with the tangential issues around the core itch. If we can get to that core itch, we'll find the other behaviors stop cold turkey.

It's not just self-medicating with substances where this happens; this phenomenon also manifests itself in other areas of one's life. I see shopping as a real issue when people get stressed or unhappy in their lives. They feel a slight endorphin rush when they purchase a new product and it feels really good. It doesn't last long, just like drugs, so in time they make more and more purchases. This leads to a situation where people have too many things and we're all guilty of this to a degree in America in 2014. Most of us can keep it under control but for some it is the straw that breaks the camel's back. If you've got hundreds of pairs of shoes or whatever your particular hot button is, or if you get an Amazon package every day or every other day, we may have a problem. People end up with so much stuff; they need to rent a storage container to store their stuff. When looking from the outside in, this is easy to see but when you're the one living it, it's an entirely different issue and almost impossible to see clearly.

When we're pressed hard and pressured by things out of our control, we're constantly looking for comfort and we'll do almost anything to find that comfort. Many marriages fail due to stresses and behaviors related to those stresses where healthy solutions were not or could not be found. Communication is often the key here, if there is open and honest dialogue almost anything can be conquered if the will is there. Too often it's easier to do one's own thing internally in dealing with an issue rather than talk it out. Many times a spouse unhappy in life with stressors somewhere, perhaps at work, will seek joy through cheating with another person. This psychological detective work is something that I never anticipated would even be an issue in our profession, but it pops up very often.

When the shopping or spending manifestation comes to rear its ugly head in someone's life, we find a pattern that is consistent. People begin to shop a little bit more than they normally have historically. It then becomes more often and perhaps larger. We've seen this start with shoes or tools and end up with houses, cars, airplanes, boats, you name it. We see some people who can identify this is a problem and they seek us out. We find they acquire more and more physical possessions and financial wealth which was a long term goal. Then they wonder why after working hard for years if not decades, and finally hitting the goals they set for themselves, why aren't they truly happy? We must help them see that they've been scratching the wrong itch and the acquisition of stuff isn't going to make most people happy. It actually has the opposite impact on one's life as when you own a lot of things you must care for these things, worry about them, maintain them, etc. We find that many times we don't own our stuff, but our stuff owns us. This is especially true if we own a plethora of goods and physical possessions far beyond what we "need." People do the same thing the dog does, we chase our tail so to speak, but the process isn't instant as with a dog, it takes years or decades to come full circle. Let's talk about this if it hits a nerve! 😊

In our world today you can buy insurance on absolutely anything. If it can be owned, it can be insured. You can even insure things you don't own – services and other insurance contracts. With all of us having a limited amount of resources, we suggest insuring the big things and being a good consumer of the little things so you don't need to insure them.

The big things would be your income and your large assets, such as your home, cars, collectibles, wealth, etc. If you didn't have an income to live day to day, everything else is lost so I would consider your income a necessity to insure. You may not have an income if you're hurt or sick and cannot work or if a loved one passes who you were dependent upon. If you are blessed enough to have substantial financial resources, they too are very valuable and hard to replace so they should be insured from a lawsuit or from old age. If you own a home, RV, car or other nice resource, it's something I'd consider insuring.

When it comes to insuring everything else in the world that isn't so valuable, it may make sense to think twice before buying all of the insurance the consumer world would like to sell you. Whenever I buy a tool, appliance or electronic component, they always offer to sell me insurance on the purchase. My initial thought is always the same thing, if this thing I'm about to buy is such a piece of junk that I'll need insurance on it moving forward, I'll buy something else. This is where research is a big deal and pays off handsomely. I've been very lucky in that doing extensive research has allowed me to generally make purchases that don't necessitate the insurance offered. When I'm doing my research I always focus on brand and model reliability. If the item in question scores well in these areas, and has a long history of favorable reviews from those who already own it, I'm inclined to add it to my list of things I may want to purchase. If any one of these factors is off, I generally will not add it to my final list. If a brand is notoriously unreliable, if the model in question is new or problematic or if people have had a plethora of problems with the item in question, I won't consider it as a finalist on my list.

In general I don't buy insurance on small items such as TV's, appliances, etc. I do buy the insurance on laptop computers as an exception to this rule as they're all notoriously unreliable and far beyond my ability to diagnose or fix them. I've found with laptops the next day service is exceptional and they'll fix anything that goes wrong in the first 3 years. My research has led me to believe that with many items, the high end versions of the items are far less reliable than the average brands, even though you're paying a big premium for the "high end." This is true with appliances in particular and many of the high end appliances are 4-5 times more expensive than their average counterpart and also have special sizing so they don't fit in a standard spot. I've never experienced this first hand but I live vicariously through many families and have heard this same story time and time again. I find this general rule to be true in cars as well sometimes, the German cars are often unreliable but some of the nicest and most exciting cars to drive, if you don't mind taking care of them once you own them. I don't buy car warranties either; I stick with the reliable brands and have been very lucky thus far. Feel free to reach out and chat about this if you'd like!

## Noteworthy News!!!

- Congratulations to Beth Campbell on her new job with Coventry Health Care! ☺
- Congratulations to Bruce Taylor on the opening of his new business, Bruce's Hardware in Otis, MA! ☺
- Congratulations to Jamie Lemieux on her new job at Oliver Wolcott High School! ☺

## Question & Answer

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

*Q: Is it advisable to carry your social security card on your person?*

Years ago this was assumed safe and I think most adults in America had these cards in their wallet or purse for decades and some still do today. I hope to change that with this article. Today it's not safe at all to carry your social security card in your wallet or purse, on your person at all with identity theft being such a potential gold mine for the crooks. I wouldn't carry this card on your person and I would also suggest you be very careful about who you give this number to.

For our seniors it's also important to look at your Medicare card and make sure that your social security number isn't plastered all over that card, it often is. Years ago our social security number was safe to be displayed on our Medicare card or at college, but today it's something you must protect vigorously. If a smart bad guy were to get your social security number, they could have credit open in your name in minutes with a computer, if you had a solid credit history. If you're in bad shape finally then the number won't do a bad guy any good as there is no credit available to you anyway. There are credit protection services out there you can buy for a monthly fee, or you can lock your credit by paying a onetime charge with the big three credit bureaus.

We've had a potential identity breach ourselves just recently, two of them in fact that I'll share with you. One of course is the Target hack and this is only because we shopped at a Target in the months leading up to Christmas. Is there anyone in America who didn't? ☺ We also had an issue with an apparent theft at Western CT State University, where Cup went decades ago. We received a letter from them saying some type of computer breach "*may*" have compromised her social security number from the early 90's when she was a student there. After some research we found that the chances of us actually getting our identity stolen was likely statistically insignificant, but the university did buy us a credit protection service for a few years just in case. Target made the same offer and our bank, Chase, changed all of our credit and debit cards just in case as they were used to shop in a Target store in the months leading up to Christmas. We're living in a different world today, one where your identity is a very valuable asset if you're a good steward of your finances and our audience is in that category! ☺ Please be careful with this and your driver's license, but that one you have to carry on you if you're driving! ☺

## Use it or Lose it! (Cont'd from pg. 1)

It doesn't take a lot of time to get on the right track; it's just a matter of starting and slowly building. Deciding to start is the hardest part. Once you make that decision, the rest falls into place. We see people who work in office jobs and fall off the wagon of getting exercise for decades. This happens slowly and we tend to lead inactive lives. Our great technology and society allow us to get by with doing very little physically if we don't challenge ourselves every day. Think about our drive through culture. We can drive through at the bank, then drive through a coffee shop, drive through for fast food and if we do too much of that we'll get sick. Once we're sick, we can now drive through to get our drugs at the pharmacy. I think this type of convenience in society, once thought as game changing, have allowed us to become overly complacent and do nothing for decades. Even a lot of the tools (some would argue junk) they sell on TV shows aimed at making our lives easier may do so, but also take us away from any physical activity so we must plan it into our day. If we get into that easy no sweat lifestyle and then something small happens to us physically it can really rock our world. A simple fall or a sprain will sometimes lead to a medical retirement because the person has just been so inactive over the years and this one issue is a tremendous setback. We've seen this dozens of times, a simple fall leads to an early retirement due to medical problems and sometimes lack of mobility afterwards. It really wasn't the fall or the sprain that caused the issue; it was the lack of physical activity for years or decades leading up to that incident. The incident is just the straw that broke the camel's back. We not only want to be fit and strong, but we also need to have balance and be flexible.

The flexible part of the equation I've seen a lot of the benefits of being flexible first hand. A lot of my buddies, who are great at working out and are super strong and have chiseled physiques, have constant problems with their backs, ankles, knees and other areas because they lack flexibility. Strength without flexibility is only part of the complete package of being fit. Back in the day when I was strong (and this was a looonngggg time ago! ☺) I wasn't flexible at all; in fact I needed a pen or another form of tool just to scratch my own back. Today I'm quite flexible but nowhere near as strong as I once was so I'll work on getting stronger and keeping the range of motion and flexibility I have now. I truly feel weak sometimes and really need to work harder on getting that strength and power that I once had back. It's a challenge, with all of the things demanding our time on a daily basis we need to prioritize ourselves.

I see some of our retiree clients who struggle with flexibility in a big way and some tell me they have trouble reaching their feet with their hands. Podiatry is a big business just for this reason; many people cannot reach their feet and take care of them so the doctor will happily do it for them. We see this in many who have trouble getting around, walking, etc. The challenge here is to find a game plan to help get you to wherever you can be, as the army says be the best you can be. It's different for all of us but we need to make sure we're doing the hard work and moving in the right direction. If we do nothing by default we'll be going in the wrong direction and none of us want that, but it's the easy route and the one so many take. If you have any great success stories that you'd like to share we're happy to share them with others and spread the word.

### Money Quiz

This month's challenge is to tell us what percentage of American retirees is covered by a defined benefit pension plan in 2013. In 1975 85% of us were. It's much less today, but what %? Last month's quiz was won by Bob Johnson, 47% of American retirees leave work sooner than they expected to! ☺ Winner goes to Ruby Tuesday on us!

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### Buffets Ratio Rule

We love the oracle from Omaha, Warren Buffet. He's not only a super successful investor, but I personally have learned a ton from this man over the years. I try to read everything he writes and most of it is an absolute joy. I don't agree with everything he says, especially some of the recent political noise, but he's got a ton of wisdom to impart and many great lessons can be learned from paying attention to what he's doing, writing and saying. He didn't get to where he is by failing all of the time. He's had failures, as we all have, but he just kept on trying until he succeeded. That's the real different between those that are very successful and those that are not. The successful people just won't accept no for an answer and they keep doing whatever it is they're doing until they get the outcomes they desire. Einstein once said himself that he wasn't smarter than everyone else, but he worked harder than just about anyone else so it was just a matter of time before he found what he was looking for. Those things ended up being game changers, but the point is he never gave up and failed tens of thousands of times along the way to his destiny.

He and Charlie Munger run Berkshire Hathaway and in their most recent annual report he admits to making a bad investment of just under \$1.0 Billion dollars, yes a billion! He's great in that he's so open and candid about it and we're all human, we all make mistakes so it's great to see him not afraid to admit to it. He said he made this investment without talking to Charlie about it, and he'll never do that again as he believed Charlie would have talked him out of it. I love it and we follow a similar process here, we bounce our ideas off of one another to make sure we're not crazy, missing something and looking for challenges to our thoughts and beliefs.

The ratio rule he often worries about is stock market value to GDP. Stock market value is the value of all publicly traded stocks added up and the GDP of the country is just the total value of goods and services produced in a year. Buffet contends that when market cap of the stock market exceeds the GDP of the country things are getting frothy. Well welcome to froth land, we're running at about 117% of GDP today in market valuation and as we've been talking about for some time now, this path isn't very sustainable so it pays to be cautious at this altitude! ☺

People often ask us who is on the other end buying or selling a stock when we go to transact an investment in the accounts. This is an awesome question with a very logical answer. Market Makers are the culprits here and they're just companies set up to do just that, create an orderly market in the security of every issue that trades on our markets. This is big business and also the reason we have a bid/ask spread. The bid is what the buyer is willing to pay and ask what the seller is hoping to get when transacting business. Every stock out there has a market maker, and the big stocks that have huge market capitalizations that trade tens of millions of shares per day have many market makers working in that single stock. Some market makers create markets in many stocks, especially for the smaller companies out there who don't trade in monster price and with big volumes.

The Market Maker is charged with creating an orderly marketplace in a security and matching up willing buyers and sellers. Let's say Cloud Computing is trading for \$40.00 bid and \$40.02 is asked. This means a buyer must pay \$40.02 for the stock in this moment but the seller is only going to get \$40.00. The \$.02 in difference is the spread that goes to the market maker. In a normal and healthy market, being a market maker is a pretty darn good business, you make a few cents per share for every trade that happens in the security you're dealing in. It's not all good though in the world of a market maker. If a security has issues and there is an imbalance of buyers and sellers, or no buyers or sellers, the market maker is still charged with creating an orderly market in the stock. Let's now say Cloud Computing is selling for \$40.00 per share and there are no buyers all of a sudden due to some news item adversely impacting the company or the industry. With no buyers, the market maker must now buy all of the shares that are for sale, and in an orderly fashion. The current order must be purchased for \$40.00, the next one for \$39.99, etc. This must continue all the way down until there is another party who comes to the game with a bid. Let's say in this instance nobody is interested until price gets down to \$15.00. This is a nightmare day for a market maker as this firm must buy all the shares all the way down from \$40.00 to \$15.00, at which point they can now just match up buyer and seller and make the spread. Think of the market maker as having an inventory of the stock they make a market in "on the shelves" at all times.

This is how the system works so well, if there is no other party out there this second who wants to buy or sell shares of the same security you happen to be dealing in, the market maker is the middleman. If there is plenty of interest, the market maker is the firm who matches up sells orders with buy orders. This used to be a manual process on the floor of the stock exchange as you see on TV, but today it's mostly an electronic process where computers do the matchmaking for the most part.

This is a mechanical system, and not perfect so expect a small degree of error. Things such as the flash crash and botched IPO's are examples of how this can go very badly. These systems work well over 99.9% of the time, but when they fail, it's really painful for all involved. It's a really cool side of the investment world not too many people know about! ☺

## Inspirational Quotes

- "Everyone sees what you appear to be, few experience what you really are." - Niccolo Machiavelli
- If there is no struggle, there is no progress, Frederick Goodwill
- Memories mean more to me than dresses, Anne Frank
- Some cause happiness wherever they go, some whenever they go, Oscar Wilde
- Each success only buys an admission ticket to a more difficult problem, Henry Kissinger
- Vision is the art of seeing the invisible, Jonathan Swift
- Age is foolish and forgetful when it underestimates youth, J.K. Rowling



**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 will be kids of course but part of our role is to move them along and make sure they become productive members of society. I recently ran into a great teaching lesson for kids. The pain of doing anything now as a child while expanding their horizons and learning is temporary and the gain achieved from this work is always permanent. This is true in almost every area of a child's life. I see it as a truth in school where they learn all types of different subjects but may not like doing the work. They're happy they did after they've mastered it and its easy now but if they didn't push through they'd still be stuck in the old box. Now that they've pushed through the box is now larger. This should never end and we can help move them along in many ways by doing the things they're slightly uncomfortable with, whether it be social, learning, sports, etc. we can all grow from such a process. It's just about pushing on our comfort levels and making sure we grow a bit every day (not at our waistlines though!) 😊

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