

Traffic Platforms

When most of us think traffic it's typically on a highway or a city where there are far too many cars, trucks and busses and far too narrow streets or too many stoplights. I don't know about traffic design these days, but seemingly crazy designs are parking lots with no apparent exits and stop lights in front of just about every retailer on a main roadway. There must be a better way, whoever invents it will profit handsomely. The number of vehicles on the road today is causing traffic jams where there never used to be any but of course the infrastructure wasn't designed to hold the number of vehicles we have today. They're trying to build the infrastructure up to match the number of vehicles, but it's a very slow go. Keep the faith, it'll get better with time.

Highly trafficked areas typically have many billboards along the way to help companies get in the minds of the drivers. Locally we see billboards for many local businesses and even national chains of companies. This has been happening since the beginning of roads and the busier the road, the higher the rent on the billboard. The higher the trafficked areas also dictates how many billboards will appear per mile. The more billboards the higher the traffic density on a particular road or highway.

The internet has a similar pattern of traffic and advertisers, but in a much more advanced way. Websites that can attract a lot of traffic can charge huge sums for advertising space as thousands if not millions of visitors are sure to see the ads. The new business model on the internet is to build a popular site, make it free, generate a ton of traffic on the site and then once it is known to be a high traffic site lure companies in with the capacity to reach all of the readers on the site. This is the world of internet traffic, not annoying stop and go traffic on the highways or cities where we drive our cars. Many argue the internet traffic (ads because the internet doesn't slow down based on how much traffic but the ads can be bothersome) is just as annoying as the streets, but I disagree. If you're well informed you can basically bypass just about all internet ads by training your eye and ignoring what is "noise."

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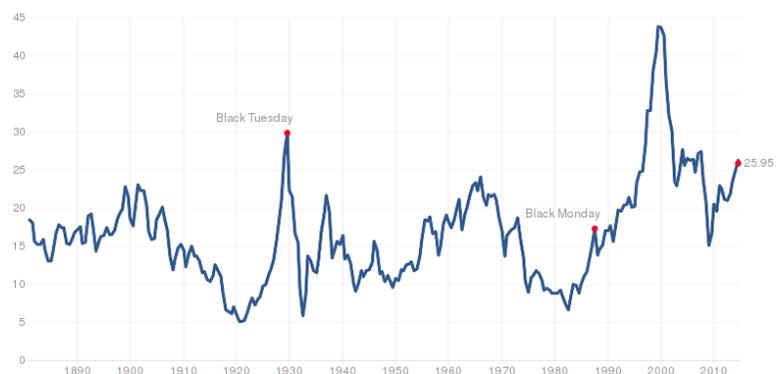
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Are The Markets Good?

The markets are fine today, right now. They've been on shaky ground for a few weeks and are rattling around within 5% of their highs. Many people consider them great because they're so high here in America and in many developed markets across the world. It's very important to differentiate good from having lots of potential. Markets that are high like ours by definition have far less potential than markets that are low. I'm a big fan of buying things very low when everyone else is selling them. That hasn't been possible for a few years now as high prices have simply gone higher, with very little logic or fundamental backing to price moves.

Markets have been very emotional for the past few years and not responding to economic results but to government promises and "stimulus" measures such as QE (Quantitative Easing, some calling it bond buying, other printing money, all fair!) When one looks a bit deeper into market metrics which measure prices to value, things begin to look a bit off the charts and for good reason.

Let's dig into a few market metrics we often follow to see how "good" or "stretched" prices are today. The first thing we'll peruse is P/E. This is the price to earnings ratio for stocks. When people talk PE there are lots of options as to which earnings figure to use. Price is never a question as we know the prices of things today. Earnings can be last year's earnings, this year's earnings, next years expected earnings, the following years expected earnings, etc. We like to use the average earnings of the last 10 years, called the CAPE or Schiller PE as they smooth out all of the bumps on a year to year basis. Let's look at where we stand today from an earnings perspective using the CAPE method. Here is a graphic to make it easy to see where we are today.



As you can see we're currently trading at about 26 times earnings. We've only been at these levels three times before. We're in a place price wise the market has only seen in 1929, 1999 & 2007. Look at how much higher we are

Another large difference in web traffic is how it can follow and get to know you, vs. when you're in your car the billboard knows nothing, absolute zero about you or your likes and dislikes. The many tools we use on the internet every day that are "free" we take for granted. They're free of any monetary costs, but they're far from free of data costs in terms of your personal data they collect about you and subsequently package and sell to businesses for advertising. Ads today can be so pinpointed it's mind boggling, especially if you're a frequent user of the internet and most importantly social media sites where you disclose or "like or dislike" things, pictures, etc. Here are the top 10 most popular websites on the web as of mid-2014:

- 1- Google
- 2 - Facebook
- 3 -YouTube
- 4 -Yahoo
- 5 -Baidu
- 6 - Wikipedia
- 7 Twitter
- 8 - QQ
- 9 - Amazon
- 10 - Live

This ranking is based solely on traffic, how many people are on the site every day. It's no surprise that google is now a verb in the dictionary as it's the most popular site on the planet. Talk about a game changer, they've changed the way we all gather information and research just about anything.

When you do a search you need to know what to look for to stay away from the noise. Google has recently begun showing what search result is an ad by a little yellow box on the upper left side of any search results as shown below. Notice the top 3 results on the main column as well as the top result on the small right column are clearly ads. Never click these. I ignore everything on the small right hand column and also the first 3-5 results from a search result query to help avoid the noise that is typically associated with web sites with high traffic.

The websites that have the traffic will sell advertisers on the fact that they have copious amounts of information on their users. Google can tell the advertisers what you search for most often, where you travel if your smart phone is gps enabled and you have a google account on it (scary) and a host of other information.

Social media sites like Facebook and twitter, Instagram, etc. know a lot about you if you put a lot into these sites. I'm blown away by what people really do put into these sites as once it's on the web it's there forever, anyone can see it, save it, print it, copy it, email it, etc. I've seen situations where people couldn't get a job because of things they've posted about themselves online. The same is true for getting an apartment or into a college or keeping a relationship together. Be careful what you put out there and please let your kids know the ramifications to damage they can do by putting too much out there.

I don't use social media much, so I'm not sure how to avoid the traffic on those sites outside of either not using them or not putting too much personal information on the site so they simply don't have the ammunition to go after you or sell things about you. The more things you "like" or "dislike" or forward or retweet of course gives the company sponsoring the site or the platform more ammunition about you so they're better equipped to lure advertisers with information that you're likely to be interested in. These web marketers are very smart so the ads can follow you once you leave one site. If you pay attention to your surfing, notice this is already happening.

The leather billfold you keep in your back pocket or perhaps in your pocketbook is quickly becoming a thing of the past. Men tend to keep their wallets in their back pockets and often you can see worn in image of where the wallet is stored on their jeans. Many doctors have told me that habit is bad for your back and it makes your seating surface uneven, perhaps greatly so. I don't carry a wallet, I use a little bill fold with just a few bucks an ID and a few credit cards. Women tend to keep their wallets in their handbags and many wallets for women are much larger than men's. Of course women carry a lot more than guys do so that is completely understandable. I feel lucky to be a guy, it seems easier on every level. It's acceptable for us to not be able to match our clothes, be bald and have some scuffle. Guys are not expected to have everything our kids need in on person. Maybe because it wouldn't fit in our wallet and it does in a woman's bag?

The wallet has historically held physical coins and cold hard cash, which was its intent when it was invented. I'm not sure they hold much in coins today, but there is plenty of cash in wallets across the country. As time unfolded the design changed to comfortably hold credit and debit cards and pictures. Why pictures, because life is about memories! Today they have wallets for just about every application imaginable from working out to running to specialty wallets based on occupations to waterproof ones. Today we have a lot of new payment technologies that are quickly gaining traction on good old paper money. There will be paper money for a long time coming, perhaps forever so don't get worried that the greenback will be useless anytime soon. Some fear if our irresponsible governments across the globe don't stop printing money it will be worthless. That's a valid concern, but hopefully this won't continue and the pendulum will swing back to the side of common sense.

Other payment technologies today exist in the digital world and do not require anything physical at all. Services such as PayPal are electronic alternatives to cash and there are many of them. These services ultimately pay with cash, linking your bank, credit card or gift cards to the services but open up the world unlike it ever has been before. Competitors include Dwolla, Braintree, Clickbank, Stripe, Scroll, Wepay, google Wallet, etc. These services are all digital so you'll either need a computer to access them or a smart phone. Today's youth seems to do just about everything on a smart phone. I personally need a computer to work and get anything done.

The cell phone interestingly may become a person's wallet in the near future. If your phone is equipped with any of the above and the retailers allow checkouts using the cell phone technology the wallet may become a thing of the past for our youth. The cell phones have a very handy tool that allows you to store all of your specialty store "rewards" cards in the phone rather than having to have them all in your wallet or on your keychain. There are so many of these store cards today people need more room in their wallets or pocketbooks to hold store cards over money. I've found most stores will simply "look you up" on their computer so you don't really have to carry around that silly little plastic card for the cashier to scan into the system. Is anyone currently using their cell phone as their wallet? Let us know your experiences if you are, we're still a bit too cautious about having all of that data on our phones. What if you lose it?

Noteworthy News!!!

- Congratulations to Joel Nahari on his recent retirement! Thank you for your service to our country!!! ☺
- Congratulations to Bruce Whately on his recent retirement!
- Congratulations to Greg Albert (big daddy) on his recent retirement!

Question & Answer

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

Q: I'm wondering if bond funds are all safe and not volatile.

That is a great question and it really depends on the fund you own. I've owned many bond funds over the years and we continue to own some of them today. It's never been more difficult to find "safe" funds than in the past few years. The price distortions we see in equity markets in most of the world is also roosting in bond land. We're very picky about what we own from a bond perspective today because prices are bid far beyond what is reasonable today in a world searching for yield of any sort.

The way bonds work is an entity is lending money to an investor at a par value. The par value is typically \$1000.00. You lend the entity the money, you earn the stated interest rate, or coupon, and upon maturity you get your \$1000.00 back. Once issued, bonds trade up and down from the \$1000.00 par value. They don't typically move too much historically but today they're moving a whole lot. Here is an issue that just came across my screen the other day.

TN	WILLIAMSON CNTY TN	5	04/01/21	1715			
	121.188	1.6	1.6	Aaa			
TN	WILLIAMSON CNTY TN	5	04/01/22	1790			
	122.371	1.83	1.83	Aaa			

Both of these bonds are issued by Williamson County in Tennessee. They both pay a 5% coupon and are rated Aaa, which is highly rated and this issuer has their financial act in order, unlike many of their northern and coastal brethren. That all looks great, but what is insane is that these bonds are trading for \$121.188 and \$122.37, which is 21 – 22% over par value of \$100.00. These bonds are callable too, which means the issuer can call them in at par value of \$100.00. If you bought these bonds for \$121.188 and they were subsequently called in at par, that's a 20% loss on a municipal bond. That's a very bad day. This is happening all over bond land, not just in muni's but in taxables, in corporates, in convertibles, even in Europe, Japan and China. The world is starved for yield so they're pricing it way up.

The bottom line is be very careful where you put your capital to work, and if you're buying bonds in a fund do not buy the fund unless the company will give you a list of they own and what it's currently trading for. This will tell you a lot and amazingly, many great companies will not disclose this information to their investors. If a firm will not disclose to me what is in the portfolio I'm interested in, I'm unwilling to commit capital to that company or that fund. The lack of transparency is enough information for me to know to go look somewhere else. It's never been harder to find reasonable yield and not pay a 20 – 25% premium to get a 5% dividend.

Are The Markets Good (Cont'd from page 1)

today than in 1987 or 1970. Both of those dates marked significant tops in the markets and the world was a far less leveraged place back then. Markets today are a great place to be for taking profits or swing trading, but not likely a great place to be for putting money to work on a long term basis. We're not thinking long term at all these days and if you're a buy it and forget it type of investor you need to be very very careful on how you operate in this environment.

Now let's look at another price metric we follow closely, it's the corporate profits as a % of GDP. This is how profitable corporations are as compared to the entire economy. Great graphic here courtesy of our friends at the St. Louis Fed plotting tool Fred, thanks to Mike Bergamo Jr. for the research!



The average ratio of corporate profits to GDP is 6% over the history of our nation. As you can see, we're now at 10%+ which is almost double the all-time average. Why is it so high some ask? It's a combination of artificially low interest rates, massive deficit spending and companies acting very efficiently. Reality is at some point companies must raise workers' pay, invest in capital equipment and at some points rates must normalize. Corporate profits are not experiencing a lot of sales growth, the growth in profits has come mostly from efficiencies. Sustainable, not a chance. It can really pay to be a dork and look at the details in this business.

The chart above indicates that returns for the next 7-8 years are zero if you're an index investor. Let me repeat that, if you're buying any kind of stock index ETF or fund, our models are currently showing returns for the next 7-8 years at absolute zero. When prices are this high they come down, go back and forth, finally find a bottom and then begin a new leg up. Each time prices have reached these levels in the past we've had the same outcome, a serious decline in prices every time, without exception. I'm blown away that hasn't happened yet. We've been waiting for this for some time and we've refined our models to operate in very short time horizons so we're able to go after targets without the need for a buy and hold mentality.

There are a plethora of metrics we could discuss here, but every one of them is about as stretched as these two very popular ones. Indicators suggest that it's time for caution today, not trying to be a hero or sleeping at the switch. Markets are extended and dangerous, the risk is to the downside in a big way. The real money to be made is likely to be on the short side in the near future. We'd love to discuss this or any other topic so feel free to call us anytime.

Money Quiz

This month's challenge is to tell us just how big the big banks are. There are 6730 banks in the USA, what % of assets do the 22 largest banks control? This is only .35% of the total banks in the country. Last month's quiz was won by Evelyn Genovese, the average age of cars in America is 11.4 years today. © Winner goes to Ruby Tuesday on us!

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Cell Phone Savings

We've shared with you the zact.com cell phone service and more recently other options have come to our attention that can be quiet large in making savings for you. The big boys in the room when it comes to cell phones are Verizon, AT&T, Sprint and T Mobile. Many other carriers offer plans directly to the public that use their networks and have different pricing models that should be considered. Boost Mobile and dozens of others are all operating out there and offering the consumer choices so see what they can offer you before signing up for a contract that'll lock you in for two years.

We're with AT&T and have been for some time. Unlike most of the population we don't upgrade our phone just because two years is up. We use the phone until it simply doesn't work anymore and replace it because it needs to be replaced, not because we want the cool new one. We had an iPhone for 4-5 years and when we traded it in the guy asked where did you get these things, we never see them anymore. They were 3-4 generations old at the time. I was thinking why does everyone fall prey to this nonsensical belief that you must buy a new electronic gizmo whenever it comes out?

I recently came to the same place, my phone wasn't working and not because of a defect, but the battery wouldn't charge. I bought a replacement, got a mobile charger, and babied it along for a few months. We concluded it needed a new charging port and would be fine but that is a \$100.00 repair and the phone is a few years old. I called AT&T to get a new phone and they wanted \$240.00 for a newer version of what I had. I couldn't do it so I continued to baby it.

Last weekend I'm out and about while Sammy was at basketball camp and I was in Target getting her a headband. While there I started talking to one of the employees and the conversation somehow got to the cell phone. I didn't realize Target and any other retailer can sell AT&T cell phones and sign you up, upgrade you and tap into the AT&T or other carrier computers. After a pleasant but long conversation I was able to buy the same phone through Target for \$99.00. I was then offered to sell my old phone to Target, and they paid me \$84.00. I was blown away I bought a new phone for \$16.00 through Target and would have had to pay over \$200.00 through AT&T.

This is mind boggling to me and it just goes to show how important it is to be a savvy consumer today. Any other tricks or tips we pick up we'll be sure to share with you!

Communicating Children

This could just be a pet peeve of mine but it seems like many of our youth today have lost the ability to communicate as we do person to person. They're expert at communicating via a device – a cell phone, computer, video game console, tablet etc. These kids are so good at working with small machines their thumb dexterity is off the charts, they can text behind their backs and operate in cyber worlds we've never dreamed of. Does any of this help them when it comes to having a conversation with a person in the room or building rapport with another living, breathing human being? I'm not convinced it does. They're all great skills to have when complemented with a solid and balanced communications package, but when left to just the cyber world, many of the kids are falling behind, way behind.

When it comes down to looking at someone in the eye, speaking to them intelligently and not having every other word that pops out of their mouth be "um" "uh" "like" "yeah" "you know", etc. is a challenge. The simple act of introducing themselves to a new person with a solid and firm handshake, not a dead two finger wiggle, and looking at the person in the eye, smiling and stating their name so hopefully they'll remember it in five minutes later seems to be becoming a lost art. This is not the fault of our youth, it's our problem. We're allowing these kids to live and operate in the cyber world and that's great because they're developing a skill set that will be necessary in the years and decades to come. We cannot allow them to develop these skills at the expense of basic communication skills that they'll always need, even when they're away from their gadgets and high tech toys.

How do we reverse the track many of the kids are on? The best way is to role play with them and force them to do it and do it often. We've had this problem when the girls were young and they didn't do it well. We've never had a problem with cell phones or texting as they just never had them. We have had the problem of them not acknowledging people when entering a room, not being kind or caring when speaking with others in person and on the phone, etc.

Our first experience with this lack of communication skills was shown to us in blatantly obvious fashion when one night one of the girls had a friend over and the other one came home to find this friend. The daughter number 1 is hanging out with her buddy in the sunroom when daughter number 2 walks into the room. Rather than saying "Hi I'm Jane, June's sister", and properly introducing herself, she came in and said in very nonchalant fashion "what are you doing here?" I almost died, I was so put off by this I made her leave the room, walk back in and do it again in front of everyone in the room. That wasn't the best way to handle this but I was so out of my mind by what had just unfolded my ability to think clearly was unclear.

After the friend went home we had a deep conversation on the art of conversation and just being polite, treating other human beings with respect and courtesy. In the weeks following this incident I asked myself dozens of times how I could have failed so miserably that my children cannot speak to people nicely. This had never happened before and hasn't since of course but it really made us look at ourselves reflectively to see what we're doing and more importantly what we're not doing. I was embarrassed as I speak with a lot of people every day and thought they'd get it by osmosis. We can always do better and the more tools we give these kids the better off they'll be.

Inspirational Quotes

- Anyone who angers you conquers you, Elizabeth Kenny
- Success is how high you bounce when you hit bottom, George S. Patton
- Ever tried, ever failed. No matter, try again, fail again, fail better, Samuel Beckett
- When a goal matters enough to a person, that person will find a way to accomplish what at first seemed impossible, Nido Qubein
- First they ignore you, then they laugh at you, then they fight you, then you win, Mahatma Gandhi
- The longer we dwell on our misfortunes, the greater is their power to harm us, Voltaire
- One always has time enough, if one will apply it well, Johann Wolfgang von Goethe
- Write it on your heart that every day is the best day in the year, Ralph Waldo Emerson



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

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

How much leash are we giving our children in society today? Some argue we're smothering our kids with protection as the society seems crazy we want our kids to live in a bubble. There is merit to that point but we must also think about allowing our children and grandchildren to experience things good and bad, have success and failure to become what they ultimately should can are capable of becoming. If we keep the kids in a bubble and never allow them to experience life, failure, scary circumstances, are we doing them any favors? Probably not but we need to balance that out with their safety as our main priority. It seems to me men view this quite differently from women and the men think kids can handle far more than the women do but not always. In my youth I was blessed to experience many things good and bad and I have developed a street smarts because of it and thankfully never fell victim to bad habits such as drugs, crime, alcohol, etc. It didn't always seem like a blessing at the time, some moments were scary but it paid off for sure. How do you handle this for your kids?

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