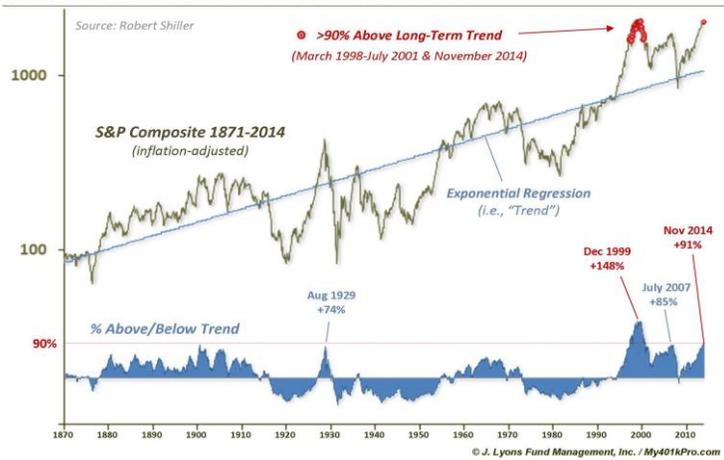


Market Valuations!

We're looking at values of stocks constantly to see where value exists and the opportunities lie. The great chart below shows where we are on a relative basis to the nicely upward trend line of the stock market over the past 150 years. This is an awful long time and despite the bumps and ups and downs, markets do go up over the long term. What is notable about the instance we have today in the markets just how extreme it is in price? Note the line below showing the general trend line going upwards and to the right over time. The bumpy line is the US stock market and right now it's about 91% over the long term trend line. Only one other time in our history has it been higher and that is in 1999 when it was 148% over trend line. In 2007 the highest it ever reached was 85% over trend line and in 1929 it was only 74% over the trend line. We're in rare company from any historical measure.

U.S. Stock Market Over 90% Above Trend for Just 2nd Time Ever



We haven't seen a period where markets have been below the long term trendline since the late 1980's. On average, markets tend to track above or below the trendline for about 32 years. If that historical average remains true, we're now above trend longer than anytime since the early 1900's.

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Attitude Determines Altitude

Attitude is everything, period. We all know people who are optimistic, energized and fun to be around. Conversely we also know those who are negative and painful to be around as these people can essentially suck every ounce of life energy out of you and make you feel like crawling into a hole. It should come as no surprise that we all would rather associate and hang out with the former bunch here. Life is far better if you're surrounded with people who think like you do and have high hopes and positive attitudes.

What separates a successful person from one who struggles for a lifetime? Of course there are many reasons but one is simply attitude. I know many people in life through business and personally who are very successful and MOST of them are not the smartest, most talented, most educated, gifted, fastest, strongest, etc. ALL of them are relentless in their pursuit of what they believe in. This comes up often in the education arena, will a child do better at a high end private high school or college than they would do in a public sector version of the same? There are plenty of great reasons to give the advantage to the private institution but an equal argument can be had that says it's not a matter of which school or institution or degree, but the amount of personal drive, attitude and motivation of the kid. I've seen this go both ways and I'm a living example of someone who came from a very average blue collar situation and did all of the public schooling that could be had all the way to college and ended up doing okay. When I was young I didn't know what a private college was and the only private schools we knew of were Taft and Holy Cross. Fast forward 30 years and now the realization that we're surrounded by about a dozen of the finest private high schools in the country where people send their children from across the globe shows just how insulated one can be with respect to environment.

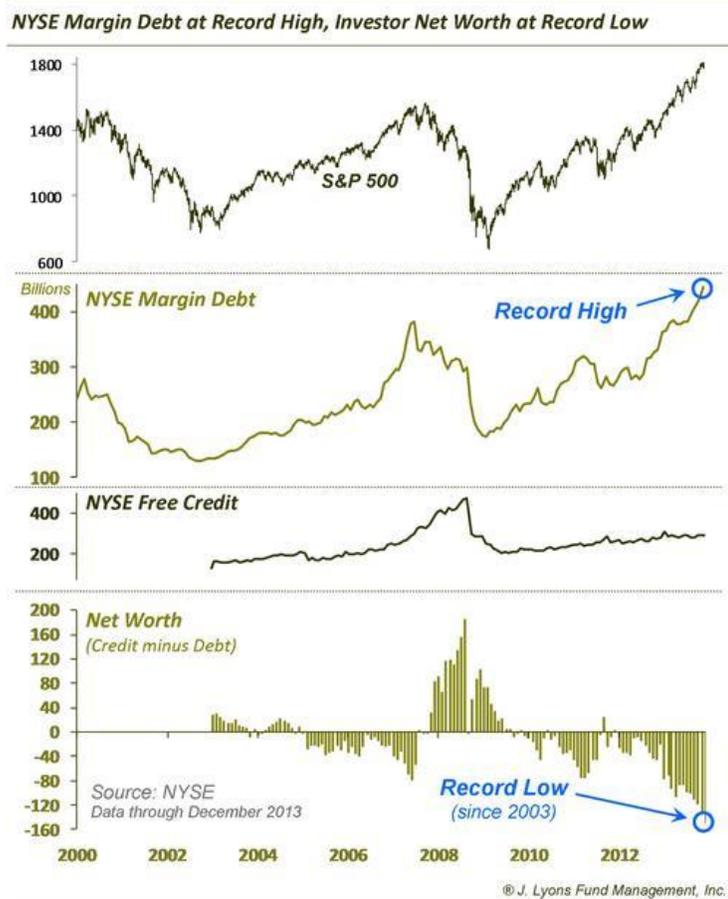
I know many people who followed a blue collar path and many didn't spend a day in college and they're all knocking the cover off of the ball today. Sometimes I think I chose the wrong career path as I always seem to be in a class or some sort but I just love to learn so that'll be a lifelong issue for me. I see a unique approach used by all who are successful, they're passionate about what they pursue and believe in and that passion is infectious. Some use it to motivate large organizations, others use it to teach a yoga class, some use that passion to teach or coach students of one form or another. Many use it to discover or invent new things or businesses but universally it's exciting to be around these people.

Continued on page 3, Altitude Determines Altitude

Market Valuations! (Continued from Page 1)

There are a plethora of valuation metrics we can look at to assess a security for value. Just about all of them are currently at or very close to highs based on any measure we want to look at. This is a speculative bubble we're in that's been enticed by rates being held so low by global central banks. This has caused investors to "chase" yield and look for better returns in other assets. QE or quantitative easing has brought out the animal spirits in investors and boy have they chased prices to all time highs. I'm not a big fan of buying high and selling higher but that is the only game in town these days.

Now we look at just how excited people are as they're borrowing money to buy shares at record highs. The chart below shows margin debt, which is money borrowed to buy stocks in brokerage accounts at all time highs. The sad but quite reliable meter shows that when borrowing reaches an all time high so does price as investors have not only invested all of their own money but all of the money they could borrow as well. Ironically while all of this is going on investors have the lowest net worth in a very long time. This is because to offset rising stock prices we have debt levels never ever seen before. Despite high asset prices, debt has grown even faster for consumers so they're less well off now than they were in the depths of the recession.



Making it Last

The biggest concern we see for folks these days is ensuring they do not outlive their retirement savings. Many people are great savers and have done a fine job saving money for their retirement. As pensions become a thing of the past the new challenge is to find a way to make a lump sum of savings turn into an income stream that one will not outlive.

There are many ways to do this and this will be the challenge for the consumers moving forward. The 4% rule says that if you have money invested and withdraw no more than 4% of the account balance to fund your retirement you're probably okay. This math was worked out in various historical market scenarios going back 100 years using Monte Carlo simulations. Is this a foolproof method, not at all, but it does have some pretty solid statistical backing under most scenarios. When working with this one needs to consider an outlier event that can change the game for ones future. For those who have been investing for the past few decades the sting of 1987, 1999 & 2007 may still inflict pain and cause one to lose faith in this general rule of thumb. If you're a passive investor and always hold, hoping for the best this is a riskier process. For those who actively manage risk, run stop losses or otherwise hedge, the chances of success in this approach is far higher as it reduces the risk of large drawdowns in your assets.

Other techniques are available to make it last include the multiple bucket theory. This theory is to leave most of your money invested where it will grow the best over the long term and just take enough out for 5 years' worth of income and put that money in a very safe place such as the bank, CD's, fixed annuity or some other guaranteed or ultra-safe option. With this safe option, take an income stream out of that safe investment that will last 5 years and then you will not need to worry about the gyrations of markets and the ups and downs associated with investing. When the markets are good and you're up a lot then replenish the "safe 5 year" bucket of money so that you're never out of income and always have a 5 year period for investments to recover if you experience a draw down in your account. The 5 year time period isn't set in stone, some prefer a 7 year period or a 10 year period and any period above 5 years is logical as most drops in value will be back within five years.

Another option would be to exchange your capital for a guaranteed income stream from an insurance company annuity product. The insurance industry offers a plethora of insurance products which are all guaranteed, offering an income stream you cannot outlive. There are many types of guaranteed income products available that can give you a fixed income you cannot outlive. I cannot write about the specifics of the contracts here as the lawyers at FINRA now prohibit us from writing about certain topics, period. If you would like to discuss these options reach out to us anytime and we'll work through them. I'm not a big fan of many insurance products, but they do have applications for the right application. Be cautious when entering into any such agreement as they're all irrevocable once you've entered into the agreements and the free look time period has passed.

Noteworthy News!!!

- Congratulations to Curtis Mathes on the purchase of his new home! 😊
- Congratulations to the Sherwood family on the birth of baby Madelyn! 😊

Question & Answer

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

Q: What is the Grexit?

This is a term the media has recently come up with by combining the words Greek & exit to get Grexit. This is very similar to when kids combine fantastic and fabulous to get fantabulous. Grexit refers to possibility that Greece may exit the Euro and leave the group of countries with one less participant.

Greece has been on the financial ropes for years now but for the past few years there hasn't been much news mention about it. Apparently the world believed the Greek financial problems were all fixed since there was no news being reported on Greek financial pains. That isn't true and what has been happening is with global central banks guaranteeing just about every asset any country issues, there is an implied guarantee that these loans are safe, even if financial reality tells us a very different story.

There have been no less than 3 major bailouts for Greece where they've been lent Billions of dollars in exchange for austerity (spending less money as a country and being fiscally responsible) measures to get their financial house in order. This really hasn't happened as they have not made changes to the degree the deals requested and now suddenly markets are keenly aware of just how bad it is there. What has made the move newsworthy lately is the country is trying to elect a new president whom has stated that if elected, they will not go along with the requested austerity measures as promised in the deal.

This represents another instance of the world being run on big promises from the political and central bank crowd over the past few years. The obvious 800lb gorilla in the room over the past few years is the Greece system is totally unsustainable and highly corrupt. It's mind boggling that they were able to negotiate such amazing bailout packages without fully complying with the terms of the agreements and yet keep plodding along on a course we all knew would lead to some type of restructuring or default. Market participants have now chosen to take this new election as the reason to suddenly pay attention to the obvious math of the situation over the past few years. This election has the potential to really move the needle not only in Greece, but in worldwide markets as this is the very thing that rocked global financial markets in the summer of 2011. We'll see how this chapter of the drama plays out very soon.

Attitude Determines Altitude (Cont'd from pg. 1)

On the flipside I cannot think of one person who is a generally pessimistic person who I'm looking forward to being with. Of course many of us must deal with these people if they're in our lives through work, church, professional organizations or special interest groups we're affiliated with. Many times the holidays force us to hang around with a black sheep in the family if your family happen to have one who is not the happiest person on the planet. Many of us also specifically arrange our holiday trips and schedule visits around how we can spend as little time as possible with that one person (we're guilty of this too!) or group of people who we know is going to suck a whole lot of life energy out of us while we're in their company. Another alternative strategy is to have a large enough gathering of people where you cannot be cornered by that one person for the entire visit and you have an escape plan so the day is still great and you get to spend limited time with the person in question which is generally fun if it is relatively short in duration. Sadly we see today some families will actually break apart to certain degrees as people literally stop talking to one another for whatever reason and that is a truly sad thing. We need to stick together and try to help one another as much as possible but sometimes it just gets impossible to please so we must do what we feel we have to. If it gets ugly hopefully in time there will be an opportunity to fix whatever was wrong and bring everyone back into the fold. We've tried to encourage this type of family member to think differently but that's just not always possible.

People have said the longest distance one will ever travel is a quarter of inch. That sounds insane but if you think about it that is the thickness of the human skull. Some people just cannot get certain things into their brains or perhaps they're too closed minded or opinionated to be open to things that are currently outside of their box. I find with the kids that is sometimes the case as teenagers know everything and we're just silly parents what could we possibly know.

Attitude impacts almost everything in our lives, from how successful we'll be professionally, how our family will operate and how healthy we'll be, even how long we'll live. The old saying of a widow or widower died of a broken heart is no joke and shows just how much our attitudes and feelings play in our lives. Humans are very emotional creatures and that is what moves us, even if we live in a world of logic, math and endless rules.

If we're thinking things will be good they will be better than they ever would have been if we were thinking things would be bad from the outset. That attitude is where the saying shoot for stars and maybe you'll land on the moon comes from because if you shot for the moon and fell short you'd end up on a cloud. How can we be, think and act as positively as possible? It all boils down to what we want to be, anything you truly want on a molecular level will materialize but you must truly want it and believe in it and work towards getting there. It's not going to happen overnight but it's a sure thing life is better if you're looking forward to great things! 😊

Money Quiz



This month's challenge is on a recently hot topic of minimum wage. What percentage of people in our country earn the minimum wage? If you're feeling lucky what percentage of those who are earning the minimum wage are under age 25? Last month's quiz was won by Kelly Cote, 40% of our oil comes from OPEC countries now vs. 88% in 1976. I'd say that's big time progress! Hopefully in the future we produce all of our energy domestically. Winner goes to Ruby Tuesday on us! 12/22/2014: 02

Title Loans

This is a relatively new concept but what these loans refer to are basically home equity loans for cars. If you own your car outright and have the title there are lenders out there who are more than willing to lend you money and use the title of your car as collateral for the loan. Never before has such a thing existed, but the geniuses of the financial world appear to think it' as great idea to lend people money to spend on anything they feel appropriate against an asset guaranteed to depreciate rapidly.

The logic is people need their cars to get around and the past few years has shown people are more likely to pay their car loans than their mortgages because the repo man is still an efficient, logical and fully functional process today. Unlike the foreclosure process which in many instances can take several years to come full circle, the repo man will be looking for you in just a few months if you forget or neglect to pay for that car loan. Foreclosures have also been slowed down and sometimes stopped dead in their tracks because banks have become sloppy and consumers have won class actions lawsuits against the banks for many bad behaviors. This disease hasn't come to the repo business and it is quick and efficient. In fact the repo business has become popularized with many reality shows portraying what life is like in the repo business as they run around the country taking back cars, boats and airplanes from those who say "the check is the mail." We all know how that line ends!

What strikes us in the financial community as odd is how banks have such a short term memory. Just a few years ago they were issuing home equity loans to people with no jobs, no credit and not assets. These loans were referred to as no income, no asset, and no documentation loans. The assumption was since real estate prices were going up lately that they always will forever and hence the loans were safe. We quickly realized in the following years how unsafe those loans were. Now the question is will history repeat itself with these title loans or will the people truly pay them on time and in full to avoid meeting the repo man?

Liquid Glamour's

Here is a term that's been in hibernation for a long time. Many people have been asking us lately what liquid glamour stocks are. The last time people were talking a lot about the liquid glamour's was in 1999 – 2001 when the internet stocks were on fire.

A liquid glamour stock is the stock of a company that is currently very popular and trades a large number of shares every day. Glamour referring to the glamour of the company and perhaps what it does in business, sometimes these companies are popular, trendy, offer new technologies or are otherwise sexy to attract people's interests. Liquid showing that there are a lot of people trading the shares every day and it is easy to get in and out of such stocks because of the very thick trading volume every day.

Many times liquid glamour's are names that truly will be game changers and modify the way we all live. Just as many times game changers end up going nowhere or going way down after the froth from a hot market wears off. Sometimes they go out of business altogether and don't change anyone's game except for those who were unfortunate enough to invest in them. Usually the people who take such companies public end up doing very well for themselves, regardless of how the public makes out on such a venture. Liquid Glamour's don't usually come up unless the markets are frothy and people are feeling in a speculative mood. Many IPO's are often offered during such a period and that is where we are today. The IPO pipeline this year has been stronger than any year in decades and many companies coming public today don't have earnings, many don't even have revenues. Scary indeed, but since people are emotional creatures when they're feeling speculative, they do foolish things.

This is not unlike other periods of time when certain things are "hot" such as real estate in 2006 or gold in 2011. People follow prices and when they rise quickly for a few years, the assumption is this trend will continue. Studies show people's memories when it comes to finances are only 18 months long.

During the hot market of the 1999 – 2001 dot com era some of the hot stocks that are still around, we cannot talk specific company names but the operating system maker, the computer company with cow boxes, the internet router company are examples. These companies are all still around and are large, but if you were to have bought any of them during the peak of the bubble here we are 15 years later and you're still way, way down on your "investment."

Some names from the dot com era that were smoking hot at the time and no longer even in business include Excite, Boo.com, Razorfish, Geocities, and C Cubed Microsystems.

Today we have a new list of liquid glamour's that are hot and potential game changers but simultaneously very risky ventures.

Inspirational Quotes

- "No man should bring children into the world who is unwilling to persevere to the end in their nature and education." – Plato
- "Patience, persistence and perspiration make an unbeatable combination for success." - Napoleon
- "Self-trust is the first secret of success." - Ralph Waldo Emerson
- "If you think you are too small to be effective, you have never been in the dark with a mosquito." - Betty Reese
- "People often say that motivation doesn't last. Well, neither does bathing - that's why we recommend it daily." - Zig Ziglar
- "We are judged by what we finish, not by what we start." – Anonymous
- "All great changes are preceded by chaos." - Deepak Chopra
- "Let me tell you the secret that has led me to my goal. My strength lies solely in my tenacity." - Louis Pasteur



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

Kids Korner

We love it when our kids make us proud and they're capable of doing it probably more than we realize. In order to perform the acts that make us proud we need to give them the tools they need in order to do things well and be good people and positive additions to society. The question is how we best equip these kids with the tools necessary to do well. One way may be to give them our knowledge, wisdom and experiences by sharing our time with them and giving them the gift of knowledge vs. the gift of physical possessions. We all have busy lives and sometimes it's easier to just give the kids a few bucks or buy them something nice as a way to show our love and that is great. Nothing can be better than us spending our time with our kids and teaching and nurturing them like only we can. We will need other people to help them become who they can really be so great teachers, coaches and influencers are still necessary. Our time is the greatest give we can give!

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