

Inflation & Deflation

These polar opposite actions are good for some and bad for others. Inflation is the general increase in price for goods and services. Consumer don't like inflation because it costs more to buy the same thing or it costs the same to buy less of a thing. Let's think of some of the things we buy often and if they're higher priced or lower priced than they were 3 – 5 years ago. In our household we like to eat, perhaps overeat in my case (☹) and food certainly costs a whole lot more than it did just a few years ago. Food is an area where you may not see the cost increases because they keep the prices the same but make the quantity of what you're buying smaller. Notice the yogurt package shrink lately? How about the Ice Cream container is now 1.5 quarts vs 2.0 quarts before. That's a 25% reduction in quantity for the same price, that's serious inflation. Education is important for all of us and that is clearly far more expensive than it was just last year, never mind several years ago. How do we deal with the increased costs of education, just keep borrowing more, which is why student loans are now in excess of 1.0 Trillion and over a third of them are behind schedule. What about cars, I'm a car nut and would own a dozen of them if there was a way to make them profitable but they're money pits and those pits are as expensive as they've ever been.

Cars are so pricey today the average consumer is having trouble buying them so we now offer car loans for 6 or 7 or more years, and as we stated last month, lenders now give subprime loans to borrowers of cars. The average car is only kept for 4 years and the loan is for longer than the car life so when one trades, they may be rolling over a loss every time. Who condones this? Shouldn't government be fostering responsible behavior? You would think so but they're doing the exact opposite, pushing absolute insanity on the public. I hear construction people telling me they're paying over \$60,000 for pickups for their businesses. Really nice luxury cars often exceed \$100,000 thresholds. Ouch for us, great for the manufacturers of these things.

Electricity has just gone vertical in price as you'll see in your January bills if you haven't done some shopping and switched your provider.

Continued on page 2, Inflation & Deflation

INSIDE THIS ISSUE

2. [Inflation & Deflation; Swiss Insanity](#)
3. [Noteworthy News; ? & Answer; Aging Gracefully](#)
4. [\\$ Quiz; Titling Assets; Biometric Security](#)
5. [Inspirational Quotes; Kids Korner](#)

Aging Gracefully

Wouldn't we all like to do this? Is there a simple method to age well and not become a dilapidated, rigid shadow of our former self? There is certainly no secret recipe, pill or magic formula that will make it happen for us. Many of the ingredients commonly thought to help us stay well for as long as possible are well known. It's been preached we must stay at a healthy weight, exercise our bodies and our minds and eat well. Stay away from smoking and alcohol and other bad habits and that seems to be the general prescription to be well for as long as possible. Other newer thoughts would include not using plastics in heating your food, avoiding too much sunlight (this one is sad, sun is wonderful), avoiding trans fats, easing stress, working less and finding balance in our lives. This set of thoughts are very varied, some are easy to do while others maybe not so much or even possible at all. I can certainly avoid the plastics and trans fats but the sunlight one will be tough for me. Working less and easing stress are easier said than done.

Balance is huge, the question is how we get there. We see balance as being very elusive in life. It's common for people to have a wonderful aspect of their life and is equally common for people to lack balance in all aspects of their life. I know many who have a wonderful family but perhaps don't love their work or struggle financially. Then there are those who have a wonderful business or profession, but have family issues or lack personal relationships or spouses. Some may have both a great job or business and a wonderful family life but lack a spiritual life. Balance of all of these traits in the world today is truly elusive.

The pressure we're under today based on how our society is structured is massive and we don't have to fall prey to it. For some trying to keep up on the treadmill of life is a super stressor. Others thrive in the environment so a lot of this is knowing yourself and seeing where you fit and exploiting your strengths. I think it may be worth rethinking what is truly important to you and looking deep inside yourself to see what and where you want to be in our society. So much depends on the choices we make from career path, family structure, economic wants, spiritual path, etc. We see many people trying to keep up with the Jones' or chasing physical possessions, status or things and they all seem to be certain paths to stress and ultimate emptiness.

Balance in our lives involved nurturing all aspects of the human being not just one or two. Our society is putting a lot of pressure on us economically and many times we'll work like dogs to keep up and get ahead financially but are we doing this at the expense of our health?

Continued on page 3, Aging Gracefully

Inflation & Deflation

Insurance costs are higher today than they were a few years ago and so are the costs building supplies, repairs and housing. With costs going up so much why don't we see a very high published number for inflation? The way inflation is calculated is often changed over time and if it were calculated as it was in the 80's we'd see inflation at 8% + today. We see inflation at less than 2.0% based on published numbers and governments around the world are trying to make inflation go higher. This illusion of costs not going up in the published numbers but actually costing the average person a lot more is troublesome.

Deflation is the exact opposite phenomenon where prices go down on the cost of a good or service. Sadly I don't have anywhere near as many examples of deflation as inflation but we do have some. Oil and gasoline are recently massively deflated commodities. Many commodities are coming down substantially in price Copper being a great example. It's a joy now to fill up our cars or oil tanks at home and not feel as though we're breaking the bank doing it. Fancy flat screen TV's and other electronics are far less expensive today than they were years ago if you can avoid buying the latest and greatest models.

Deflation is a terrifying concept for governments as it means economic activity is slowing or shrinking and it also means the debts government has to repay are far more expensive.

Disinflation is when we have inflation happening but at a slowing pace. An example of disinflation would be prices rise at 5% in year 1, 4% in year 2, 3% in year etc. This isn't considered problematic as prices are still rising but the trajectory of that rise is slowing. Don't confuse deflation with disinflation as these terms are thrown around a lot as of late.

So why would governments want to cause prices to go up when that is bad for the people? Governments have historically battled inflation by stopping prices from spiraling out of control. The 70's was a time when oil went vertical, inflation was out of control and interest rates were at 18%. Inflation is a byproduct of a healthy economy. The reason central banks want inflation is because it's easier for government debt to be repaid in an inflationary period and it's more difficult to pay down government debt in a deflationary period. This explains why global central banks are using the excuse of "low inflation" as reason to enact extreme monetary policy measures. For 6 years now governments have been trying to make economic activity happen by lowering rates to zero, then by printing money through QE schemes and we're still not seeing substantial growth in the globe. America seems to be doing better than most countries, but Japan is back in recession and Europe is really struggling with anemic growth. If printing money and easy monetary policies were the answer, we'd have long ago found a way to grow the global economy. The bigger picture is the debt levels are increasing exponentially and are completely unsustainable. We're in a period I believe to be peak Central Bank omnipotence and once faith in these methods erode, things will likely change quickly and violently.

Swiss Insanity

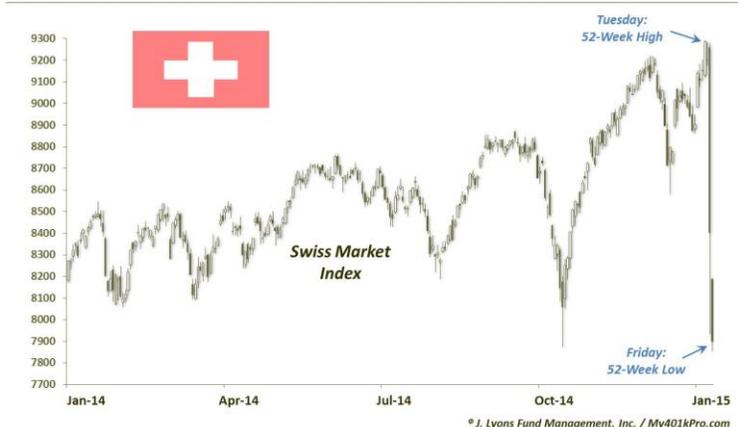
The Swiss are very well known for banking, the allure of the Swiss bank account has been a Hollywood thing for decades and it now permeates global culture. It always appeared that the wealthy could somehow stash their money in Swiss bank accounts and avoid Uncle Sam while simultaneously making solid returns in the process. January 2015 suddenly changed this perception as the Swiss Central Bank suddenly decided to charge banks for the deposits they hold with the central bank. This is the exact opposite of what every other central bank in the world does, they normally pay banks a small rate to deposit their excess reserves with the central bank.

Not a lot of what is going on in the world today from a financial perspective is normal, sustainable or has a shred of common sense associated with it. A negative interest rate policy certainly will not provide incentive for the banks to behave properly and in turn, banks will now charge their customers to hold cash in the bank. This isn't the notion we all have of a Swiss Bank Account at all! Bond yields have gone negative overnight, so now owners of Swiss bonds now **pay** the government about 1% to hold them instead of receiving interest on them. WOW!



Bonds have gone up in value causing the interest rates to go negative. How has this impacted stocks? Funny, stocks seemed to react slightly negatively to this news between Tuesday and Friday!

Swiss Stock Market: 52-Week High to 52-Week Low in the Same Week!



Noteworthy News!!!

- Our condolence to the Duger family on the passing of Don, a wonderful man, husband, father, grandfather, uncle, brother and friend.

Question & Answer

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

Q: My spouse passed and his 401(k) created a tax nightmare for me, what should I have done or could I have prevented this?

We see this all too often and yes it is completely preventable. If you lose a loved one and they have annuities or retirement accounts talk to a professional about how to best deal with the accounts because if you leave them alone they will create a very unpleasant taxable surprise for you when you least expect it.

For qualified plans such as a 401(k), SEP, SIMPLE, 403(b), Cash Balance, Single K, Keogh, etc. plans there are very specific distribution rules associated with these plans. If a spouse passes away with one of these accounts you can roll 100% of their accounts into yours (surviving spouse) with no income taxation at all and the assets become yours instantly. Once they're yours the only thing you need to be concerned with from a tax perspective is the RMD (required minimum distribution) rules once you turn age 70.5. If you leave the accounts where they are and never roll them over to your name, there is a 5 year rule and it says if you don't start using the money it'll need to be distributed by the 5th year. We see a few of these every year where someone just left an old 401(k) or pension behind and then just ended up getting a check in the mail one day. Some people don't cash the checks they receive thinking they won't count for income tax purposes. Regardless of whether or not you've cashed the check, once the 1099 comes for income taxes it becomes amazingly clear how important this is. This whole situation is completely avoidable if you take action.

What is necessary here is to roll the account into your own name if you're the spouse. If you're not the spouse but another named beneficiary you can instead roll the account into an inherited IRA or beneficiary designation account IRA, often referred to as BDA-IRA's. Once this is done, small RMD's may be required depending on the age of the account owner at death.

When the passing of a loved one happens it is very important to take stock of the finances after you've had a chance to grieve. Many times people are in no frame of mind to deal with financial affairs and that is completely understandable. Never allow anyone to push you into doing something you're not ready or comfortable doing but also do address these things within a year.

Aging Gracefully (Cont'd from pg. 1)

Working 12 hour days may be necessary for a while to get out of your parents' house, buy a home, educate your kids, take care of a health problem or dig out of debt but is it necessary for an entire working career? This is especially true if you're working so much you cannot take care of yourself and other areas of your life are starting to go downhill such as your health or your relationships or your family.

Work may not be bad if you are single, you love it and it's your passion and you're great at it. Many entrepreneurs work 20 hour days and wouldn't have it any other way. Sometimes it can burn them out but it's their passion and their mission in life and it's the way to get the business up off the ground and later on these people can hire people to get their lives back and enjoy friends, family, health, hobbies and leisure activities. Work may not be bad regardless of family status as long as you're able to keep all areas of your life in a happy place. Work for many is truly pleasurable because they're good at it, can really help people and score victories at work.

Sometimes life deals us tough times and people will go to places in their lives where they can excel. I've seen this many times when someone is having a tough time in one area of their life and they focus on the areas they can control and do very well at that to gain the confidence and get the productive and creative juices flowing that only a win or a victory can give. Once they get that they can go back and tackle the tough spots and deal with the true problems. We all have our own tough times and our own demons and we all deal with things differently. If we're challenged at home, maybe we dive into our work. If we're challenged at work, maybe we dive into parenthood or sports or working out or whatever our outlet is. We must find a way to win in life no matter what the circumstances are and the current challenges.

The win is one step in getting to where we want to be and sometimes things seem insurmountable but they never are. We can always find a way if we're truly motivated enough. That is one of the special things about human beings, we'll move heaven and earth to accomplish whatever we want if we have that burning desire to make it happen. We have to want it, we cannot do it for someone else, and it has to come from within. That burning desire isn't something you can teach, it's innate and some have it while others don't.

Balance in life it appears is a key ingredient to aging gracefully. Harmony in life between what you say, what you believe and what you do will go a long way in moving this cause forward. We need to stay healthy in mind and spirit, keep our bodies supple and strong as we age and think, act and believe in harmony. Helping others is also a big part of the system as giving is often more rewarding than getting. If you've got any hints tips or tricks on this topic please share them with us and we'll pay it forward with everyone else.

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Money Quiz



This month's challenge is on the stock markets up vs down days. What % of days are up and what % are down over the last 50 years? Last month's quiz was won by Angela Potter, 2.5% of the population earn the minimum wage and of them, 51% are under age 25. 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! 01/05/15:03

Titling Assets

You would think titling assets is very easy business but it's a bit on the technical side. When we discuss titling assets, we're talking about how your bank account, investment account, home or any other asset is owned. Most people title assets in both spouse names and consider it done. It is done from the perspective of the title, but understanding how that titling will behave when someone passes away is critical in doing it correctly.

Let's assume we're talking about titling a simple bank account. If two or more people are on the title, there are basically two ways accounts can be titled, survivorship or in common. Most often survivorship titling is listed as JTWR0S which stands for joint tenants with rights of survivorship. When titled in common, the most common type is TIC or tenants in common. How this simple title impacts the disposition of the asset is very extreme. If you and your spouse own an account John & Mary Smith, JTWR0S, this means you each own 100% of the account. If either of you were to pass away the other would instantly own all of the account and there would be no need for any probate, will or legal instrument to keep the asset under your complete control. This title overrides any other legal document such as a will or a trust as does beneficiary designations. People will often remove a deceased family members name from an asset but it is not necessary unless you're going to retitle with a new family member.

If the asset were title John & Mary Smith, TIC the action is very different. In a TIC situation, each person owns a share of the account which can be specified but is commonly 50% each. It could be John owns 95% and Mary 5% or vice versa. It's not typically specified on the account statements. Now should one person pass away, their share will be directed by will or trust to the named beneficiary. This is often used for tax and business planning purposes. Bank employees are often unaware of such differences so it's critical to understand these nuances as you decide how to title your assets. Feel free to reach out to us for a discussion on this if you have more questions. ☺

Biometric Security

There are plenty of smart people out there scheming to get your money or your credit so they can spend money on your credit record. We've spoken here extensively about people stealing your identity through your social security number and other pertinent personal information. If these smart people put their talent and energy into legitimate ventures they'd likely be wildly successful so I cannot fathom why they do this. In today's high tech society they'll all get caught eventually.

We have to think about our data in a lot of places from our snail mail, email, computers, cell phones and tablets. We're all well-schooled on how to handle our mail at home and it's probably fair to say we mostly shred or burn anything with important information on it. The digital arena is a far newer technology and poses different threats we've never encountered before.

The computer at home or work is relatively secure assuming your place is under lock and key. Mobile devices such as laptops tablets and cell phones are another issue entirely. We must be careful what we put on these devices as well as how we secure that data. We do all of our important financial business on the office and home computers and not on anything we can transport around with us. Many people don't have such an option as they must do it on their laptops or other devices. If you don't do anything financial online you don't have much to worry about here unless you're storing personal information on these devices. Many of today's new apps can act as your wallet, holding all of your credit card, bank and online information on your cell phone. This is a very dangerous proposition and we don't suggest using the cell phone to house your personal financial life, keep it inside a building if it all possible. It's important your device that you carry around with you is password protected and consider not putting your entire life on the mobile tool.

My generation seems to be more attached to computers and the internet but not so much to the cell phone. Sadly showing my age, the young guns today can do just about anything on a cell phone or tablet. Their thumbs are so mobile and dexterous it's mind boggling. When securing a mobile device many people go to the fingerprint reader as a choice rather than a password or a series of swipes, gestures or lines. We all assume that since our fingerprints are unique like our eyes, nobody can copy them and that is a bullet proof method of securing our information.

Technology is amazing indeed, so much so that our fingerprints are no longer the perfectly safe security system. Hackers in Germany have successfully copied the fingerprints of the German Defense Minister from a conference. This isn't the first time such an act has been done, several years ago another high profile German, the interior minister, also had his fingerprints cloned. They didn't do it by copying them on a cup or can of soda, they did it through pictures. Biometric security may not be as safe as we think! We may now find people outdoors always wearing gloves!

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Inspirational Quotes

- "Many people take no care of their money till they come nearly to the end of it, and others do just the same with their time, Goethe
- Honesty is the first chapter in the book of wisdom, Thomas Jefferson
- Imagination is more important than knowledge, Albert Einstein
- Life is a mirror and will reflect back to what he thinks into it, Ernest Holmes
- Small opportunities are often the beginnings of great enterprises, Demosthenes
- Success is often the result of taking a misstep in the right direction, Al Bernstein
- Everyone thinks of changing the world, but no one thinks of changing himself, Leo Tolstoy
- Life shrinks and expands according to ones courage, Anas Nin



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

Kids Korner

We all want our children to do well in the world and succeed. We should look at how we're behaving and make sure we're letting the kids live the lives they want to live, not the ones we want them to live. I see many times a parent can push a child to do well in a particular area such as an instrument, a club, a sport, a subject, a grade, etc. to the detriment of the student if it's for the wrong reasons. The kids may not be interested in the same things you are or the things you wish you had done as a kid. I've seen this become so acute that the child actually stops the activity altogether because it is suddenly miserable. It is as if the parents are making the particular activity too much and not only unenjoyable for the kid but downright miserable. It's hard to step back from what we're doing as parents and its okay to flat out ask your kids if they're doing these things because they want to do them or to make us as parents happy. Balance is tough but critical.

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