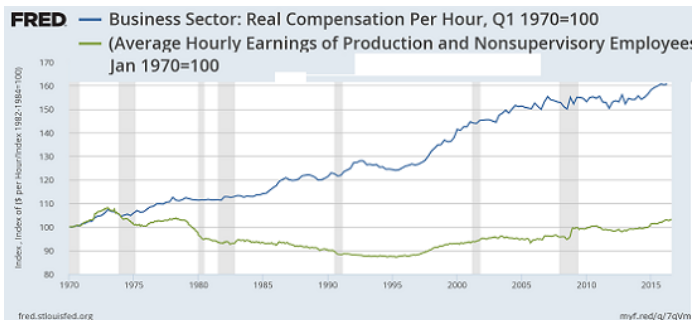


Healthcare America

People want to be able to get healthcare quickly and affordably. We have likely the world's best system in terms of speed and ability, but the affordability piece is coming into question during the last few years. Medical insurance has historically been a part of a job, where the benefit package included healthcare and it was just part of the deal. As time unfolded it became much more costly and it wasn't available at all employers because the little guy couldn't afford it.

Fast forward to today and the new health care law, jokingly named the "Affordable Care Act" and many have seen their health insurance premiums double or go up 150% in the past few years. In 1970 health care costs were 6% of GDP, today they're 18%. That's a bit of an absurd rate of increase for the costs of health care. The talk about stagnant wages is never looked at in terms of the costs of benefits, social security, workers comp, etc. Nothing like an image in terms of showing how things work so we give you this chart from the St. Louis Federal Reserve FRED system showing the costs of pay for workers including all of the "extra stuff" that the government mandates.



The growth in costs has been where the money is going. Employers are paying a whole lot more and employees are not necessarily seeing the earnings in paychecks because it's getting consumed by mandated costs. As you can see the employer costs for an employee are clearly

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When They Hate it, Buy it!

Investing is a complicated animal. Most people are hard wired to buy what is doing well today, and that can work for a period of time until it is no longer doing well. It's worked well for the past 8 years, the second longest stretch in history. When things snap back to their historical averages, it won't work at all for a very long time, in fact it'll be quite dangerous, just when people are programmed to "buy the dip." It's well known that the biggest determiner of investment success is the price paid for an underlying asset. If you "buy it right" and hold out, you generally can do very well with a solid and well researched purchase. If you hold out on a guess purchase or one that wasn't well researched and things go badly or markets turn for the worse, it can get very bad very quickly. This is why we stress capital preservation over being right and stubborn.

We see people today rushing to hide from cash, we even see government cronies attempting to outlaw cash, ban cash, etc. This is a crystal clear sign to us to love cash. We're not the traditional trend following crowd, as investors we like to buy things nobody else wants at very low prices and we do tend to sell things well before they've reached their peaks or highest levels. We're often blown away at just how high prices can be pushed by the emotions of markets. Today is a prime example of prices pushed to emotionally justified but mathematically unsustainable highs. We're also completely uninterested in buying things at high prices and today we're at stratospheric prices in most categories so cash is very attractive right now. It's attractive not for the big yield it provides, but for the safety it provides and for the fact that it is so loathed today. Sentiment changes quickly and in a short time many will wish they had more cash.

Things like negative interest rates, stocks trading at 200 times earnings, bonds trading at 25% premiums and stocks with no sales or earnings doubling and tripling are completely irrational. People are willing to buy bonds at very low and negative interest rates because they're pushed psychologically and it's insane on every level. The graph below will show just how the relationship between the 30 year treasury yield and annual change in the CPI are interacting. Notice how yields have been going down from the 80's, which means bond prices are rising.

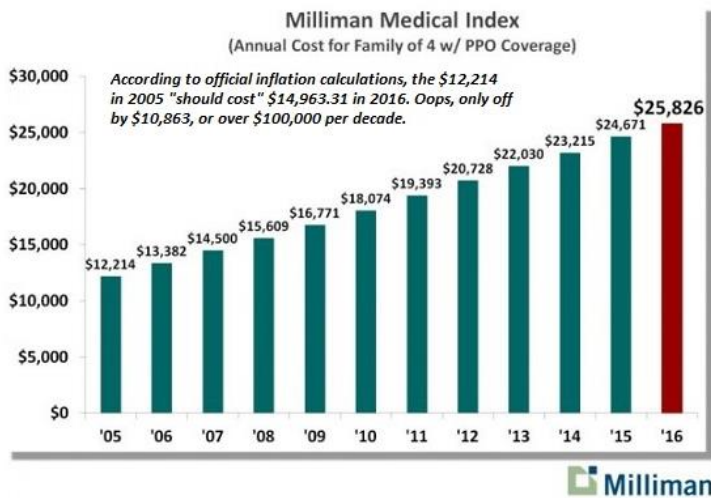
Continued on page 3, When They Hate it, Buy it

Healthcare America (cont'd from page 1)

way way up in terms of dollars per hour, but the employees are not feeling it or seeing it in their wages as the “extra stuff” has been eating up the money that would normally go to raises, etc. This has the largest impact on the small employer but also the mid-sized companies as well. We see no change in government as they can operate in a vacuum where reality is suspended until a later date, and then the changes are drastic.

We're blessed to be here on many levels, but we need to control things as well. The simple adage that anything government touches gets out of hand has a lot of truth to it. We deal with many small companies that make a lot of “things” and often times one of these items can be made that are sold to general industry and the exact same thing is sold in the medical business for 10 times the price, simply because it's in the industry. A great current example would be the Epi Pen. The monopoly they now have on it allows them to charge \$750.00 for a double dose. We know someone in the industry and the medicine is supposedly only a dollar, the costs are in the patents and the technology of the pen. This is an area where common sense and breaking up that monopoly would reduce costs. Getting the legal system to limit malpractice damages would also greatly impact costs.

Our healthcare system could be accurately renamed sick care because we generally only address the sick where it costs more money to “repair” people. The healthy stuff is generally cheap and many forego it, but nobody will miss out when they're truly not doing well. To the point of rising health care costs, look at the chart below showing how much families are actually paying per year for a medical plan for a family of 4 with PPO coverage.



So much for “affordable healthcare” as the law states. We've talked in the past about having a law that forces the political class to name things accurately. My guess is if they called it the unaffordable health care bill it wouldn't have passed. I doubt they would have read it anyway but at least we'd know what we were in for. This is a conversation we have to have and get serious about fixing the system. The system is great from a care perspective but from a common sense perspective it's lacking immensely. We're at a point where the status quo can no longer be ignored and once we bring common sense to the forefront the solutions are actually quite simple. I'm excited for the tide to start to turn to a common sense approach!

Getting Stains Out

Many times when you think something is shot because it's stained there are ways to save the item and not have to trash it and buy another one. This seems to happen a lot in our fast paced and complicated world full of manufactured items. The double edged sword of chemistry allows those in the know to work wonders without having to use a ton of elbow grease just by knowing the right times to use the right chemical cocktails. Often times the “chemical” is one that is already in your home. Here are some good ones:

- Lemon juice will take the rust stains from your kitchen knives
- Hydrogen peroxide mixed with lemon essential oil is as a carpet cleaner
- Lemons get rid of water stains on your faucets and fixtures
- Hydrogen peroxide and baking soda eat armpit stains for dinner
- Lipstick stains cannot stick through a WD-40 treatment
- Nail polish remover can get paint out of your carpet
- Baking soda and hydrogen peroxide remove blood from fabric
- Ink stains erase with hairspray and laundry detergent
- Makeup remover wipes will clean leather and fake leather
- Grass stains are history if you hit them with soap mixed with hydrogen peroxide
- Hair dye is tough stuff, but it's no match for dishwasher detergent mixed with white vinegar, rubbing alcohol and ammonia
- Salt can get red wine out of carpet
- Hairspray can eat nail polish for dinner
- Mud is no match for liquid dish soap mixed with laundry detergent and a rubbed out with a plastic knife
- Baking soda can remove coffee stains from your favorite mugs
- Grease can be removed from clothing with baking soda, hand soap and scrubbed off with a toothbrush
- Hand sanitizer will remove permanent marker from many things as well as pine sap from your car
- Freeze clothing that has gum on it and it'll peel right off
- Chocolate comes out of clothing if you freeze it and then hit it with warm water
- Laundry detergent, white vinegar and cold water can eliminate ketchup stains from clothing

Noteworthy News!!!

- Congratulations to Lindsay Cannavo on her new job with Fuss & O'Neil!
- Congratulations to Chrissy Galpin on her recent retirement!
- Our condolences to the Cartland family on the passing of Carolyn, a wonderful woman, sister, daughter, aunt, friend and person.
- Our condolences to the Mastrianno family on the passing of Tom Sr. & Tom Jr so very sadly within a month of one another. Both wonderful men, fathers, brothers, friends and people and Tom Sr. a grandfather as well.

Question & Answer

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

Q: Will the elections impact markets?

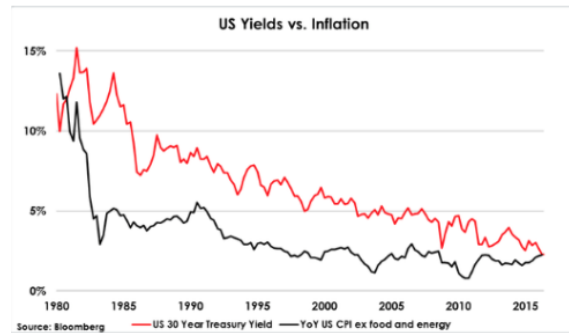
For sure, markets are about to be impacted by a slew of things, the elections may simply be the spark that sets off the fireworks. We've got a lot brewing under the covers of the economy, the world today and the elections have simply thrown an accelerant on the pile of rubbish that is smoking.

Where do we start with the issues? The big ones are monetary policy over the past few years and the government's massive debt binge they've been on where spending more than you take in is becoming the norm and any political person asking for a balanced budget is a "terrorist." Yes that's what actually happened if you can believe it. Terrorists are another issue entirely, and a big one. The fact that many in the country have gone plum nuts isn't helping and we're seeing a generation of sissy's being raised who complain about being perpetually offended and college kids who need safe spaces. What a joke! We're a country of innovators and hard workers, not whiners and sissy's so it's high time to get on with it. We push through obstacles and make the world a better place, that's America!

Polls show many young people today want to see some form of limited free speech and removing some of our liberties. Hard to believe but true. We've got people who are nuts all around us who don't want to call a spade a spade, this political correct nonsense is completely out of hand and the excesses it's built up will be balanced out in time. People on both ends of the political spectrum need to get it together. People can do anything they'd like to with their lifestyles and personal preferences as long as they do no harm to others. Its 2016, times are changing and we need to change with it. We also must have accountability, from a financial, safety, common sense and ethical perspective.

We cannot forget God and morals, we need them back. Things have gone downhill since they've tried to remove God from everything. I've never seen anyone killing people and yelling Jesus, so let's call a spade a spade and deal with it appropriately. Lastly, everyone isn't a winner and deserving of a trophy. Failure is how we learn, work at it some more or

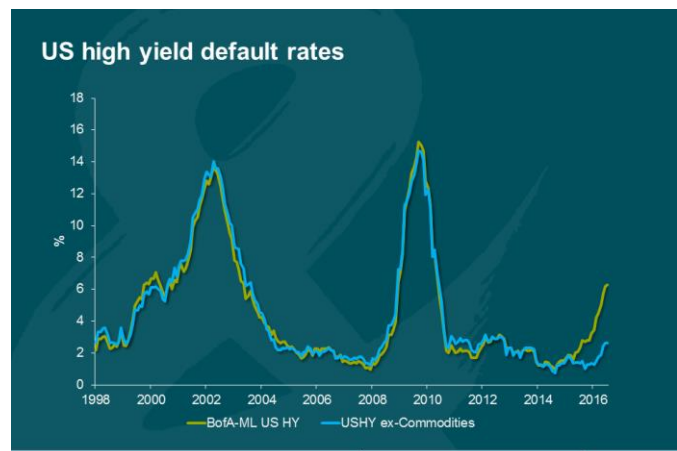
That's gone on now into a situation where we have negative interest rates. This isn't going to last forever, and now we see inflation seeming to bottom and start to climb.



To look for stable income people are leaving cash and going into "safe" or "low volatility" stocks. The perception is these assets are indeed safe because they've done nothing but go up for many years now. Valuation based on P/E is at all-time highs for the "safe stuff" in the markets. The "stability" is suddenly very unstable.



Now look over at the junk bond world, we see a more disturbing situation. Junk bonds are higher risk, so these firms tend to see problems before the "safe" bonds most people flock to. Clearly the defaults on junk bonds are on the rise, in a pattern looking eerily similar to 2000 and 2008. Why would one expect an outcome unlike either of those two time periods when the inputs to them are the same on many levels? Hang on! ☺



Money Quiz



This month's challenge is on government debt. The US Government reported a national debt of 18.151 Trillion on 8/31/15, what was it on 8/31/16? Last month's quiz was won by Peter Cronkite, although Americans saved a whole lot at the pump, they saved a little more and transferred the bulk of that savings to restaurants and bars! 😊 Winner goes to Ruby Tuesday on us! 09/05/16: 13

Hacking Your Passwords

We're all worried about our passwords in the day of digital security, and rightfully so. We have a system that requires us to put in our user ID, password, and sometimes a texted code to access our accounts. We do this today for everything imaginable from banks, shopping sites, insurance companies even government sites. The bad guys have found many ways to hack this information and steal our credit, identity, cash and privacy.

Sadly many large organizations, even many state governments, have compromised our data that they mandate we give them, allowing people to potentially have access to our names, birth dates, soc. sec. #'s, drivers license #'s, etc.

We need to stay one step ahead of the bad guys and front run any problems before they impact us. Amazon has a powerful program that searches the internet for lists of compromised identities and matches it up to their customers and then requests a password reset just so you're not hacked on their site and forced to go through the associated cleanup of it afterwards.

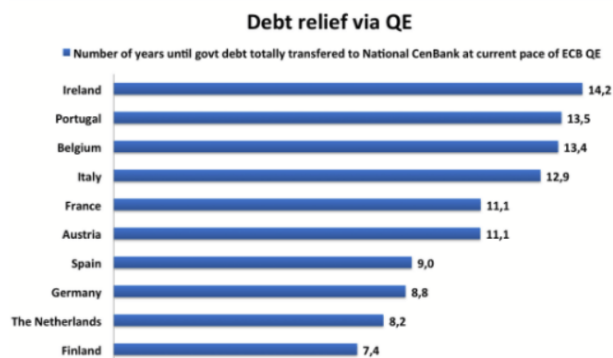
We've stumbled upon a site that is very helpful in proactively taking a look and seeing if anyone has potentially leaked, lost or otherwise inadvertently shared your information with the depths of the internet. Here is how you check it out, go to <https://haveibeenpwned.com/> and see if your email address or commonly used user id have been found on any lists where someone may have access to a combination of your user ids and passwords. If so, make changes instantly to stop any issues up front. If not you've just done a little digging and can feel better about knowing nobody has your information on a list from some site out there that has been compromised.

Debt Mountain

Governments across the globe are going into debt at record speed, in an attempt to get the economy to increase to "escape velocity." This isn't a workable plan as what is holding the economy back is excess debt and over regulation. The era of a "new normal" as Pimco coined a few years ago will likely be with us for a long time to come. This era will force change on the forever larger debt thinking of big government. It will also force political leaders (do they deserve the title of leaders? probably not) to make the right decisions and do what is right in the long term for the many not the few, and not just constantly apply band aids to the situation at hand while working to get re-elected through special interest groups.

To deal with the debt problem many today are beginning to wonder if the central banks bond buyback programs, commonly known as "easing" or "quantitative easing" or QE as many call it will be a tool bankers will try and use to extinguish debt of governments across the world. The following chart shows how the ECB's current level of government bond buying will eventually have the European Central Bank the owner of all of the debt of these Eurozone countries.

At this clip in just 7.4 years Finland will have no debt in the hand of anyone except the ECB. It'll take 9 years to get all of Spain's, 12.9 for Italy and 14.2 for Ireland. It all seems fishy to us and anyone else paying attention – how can a governments debt be purchased by the central banks of the government? How does this debt actually get repaid? Is this how fiat currencies evolve? If anyone else did this other than government they'd be in jail long ago, but it's okay as it's a government program. So was cash for clunkers a government program as well as Solyndra and countless others that have failed miserably. Expect a day of reconciliation to come soon to a theater near you, and as this fiasco unfolds, the opportunities it'll unleash will likely be once in a lifetime type of opportunities. I'm excited about this potential but simultaneously feel bad for those who do not see this coming.



Source: @Schuldensuehner, @gzibordi, @anders_aslund

Inspirational Quotes

- You cannot expect a million dollar dream with a minimum wage work ethic – author unknown. They should print this in all state capitals and in the pentagon.
- Nurture your mind with great thoughts, Benjamin Disraeli
- Never discourage anyone who continually makes progress, no matter how slow, Plato
- There is more treasure in books than in all the pirate's loot on treasure island, Walt Disney
- Sprinkle Joy, Ralph Waldo Emerson
- The only real valuable thing is intuition, Albert Einstein
- Nothing is an obstacle unless you say it is, Wally Amos
- You need to find a way to live your life, that it doesn't make a mockery of your values, Bill Ayers



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

Kids Korner

We're parents first and friends second to our children. I see my job as parent first almost all of the time. It's great to have a wonderful, friend like relationship with the kids but they need to know our job is to raise healthy members of society. It appears to be a mistake to make sure the friend is first, which appears to be producing a generation of entitled youth who still have to learn the hard lessons in life. The 6, 8 or 18 year old shouldn't be your best buddy, we need friends too and the kids are our friends on many levels many times, but the line in the sand needs to be crystal clear, parent first and in time, once properly developed with values, work ethic, life lessons, etc. the friend theme naturally sets in.

There are many times my kids hate me and they get over it, it's always temporary in a healthy parent child relationship and the lessons they'll learn from the times they hate us are priceless. You certainly cannot buy these moments with MasterCard, they'll truly appreciate them later in life. They will be able to apply them and they'll realize that when they were at the age of 15 we actually did know more than they did. The invincibility of the teenager is simply mind boggling on a lot of levels.

**Don't make excuses; make things happen;
make changes; make history, author
unknown!**

If anyone you love or care about would benefit from receiving our newsletter, tell us who they are and they will be included on our mailing list. They'll certainly appreciate you thinking about them and having their best interests at heart!

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