

The Soul of Money

Today people often want to be rich – cash beyond their wildest dreams. Is that true happiness? It isn't. Each day a lot of wealthy individuals and a lot of average individuals pass through my office. There isn't any correlation between net worth and overall happiness. Balance is something you may want to consider as it relates to happiness. Perhaps having a true balance between a happy self, great family and personal lives and a comfortable fiscal state will bring more happiness. Our country is so wound up with money that the essence of happiness has been shifted – people are chasing their tales.

The dollar is just a tool – it allows you to get something – a service or a product. You cannot use it to buy happiness, fitness, family or health. Many people wish for more money – my theory is if you want more of something give it away. Read that again. Yes, if you want more of something, give it away. In fact giving away some money can help you heal. It is often more rewarding to help someone else rather than

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Value & Growth?



In the world of finance the most difficult part is just understanding the definitions. Unfortunately, all definitions aren't consistent – some facts have various twists on the definitions of terms. For this conversation I'd like to take you through the two main categories of a security or investment theory. A security can also be referred to as stock, equity, certificates & shares. People often put stocks or their stock buying theory into the "growth" or "Value" category. This phenomenon is relatively new – pioneered primarily by investment research firm Morningstar. Most people don't care what it's called, as long as it makes them money. The basic premise is this – for value investors they concentrate on stocks whose value, in their opinion, have a discount to the intrinsic value to the company. The intrinsic value can be any definition from the breakup value, book value, hard asset value, or current value of discounted future earnings. The growth school premise is this – a company's sales and earnings potential are the best indicators of future performance. Here the search is for momentum – companies that have rising revenue, higher financial ratios and track records of strong and steady growth. Can stocks grow fast forever – of course not.

Value stocks tend to be less affected by

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helping yourself. In that situation everyone wins. If you want more money donate some of yours to your church or synagogue or any other organization close to your heart. It'll come back to you many fold. If you want help then give help to others. If you want love you'll need to give away that same thing. Love is indeed the thing that makes the world go round – not money or cars or clothes or the mall – love. When was the last time you told your spouse/parent/child/partner that you love them? Go give them a big hug – now. Leo Buscaglia always gives hugs – can you ever have too many? NO!!! A good balance in your financial life may combine earning, spending and donating your resources. Too much emphasis in any direction can hurt you – if you spend every nickel you make you're broke – if you save it all you're miserable and if you give it all away you can't live – but a healthy balance makes a wonderful life.

Money can be used for good or evil – it has been used by a few greedy dictators to hurt, kill, oppress, scare and control populations. It has been used by countless wonderful people to help, cure, heal, save, protect and grow most of the planet. What is your relationship with money? Are you happy with what you have? When will enough be enough? Are you saving enough? Are you giving enough away? Do you have a stewardship plan that makes you feel warm inside or is it painfully lacking? If there is wealth or a business in your family is there a plan in place to develop the family members to ultimately take on the responsibility such wealth comes with? Do you have a plan to help the community, to further the cause in the next generation?

Much of what we do here is to help with the physiological aspect of dealing with finances. What makes us different isn't that we have a better understanding of the markets or finance than other firms. We just know how to listen well and ask good questions so you can communicate what is really important to you –so we can help you reach your goals and make

your plans, hopes and dreams come true. Think about it – call anytime if you'd like to talk. ☺

Our Prayers for London

Reviving very sad memories is all that happened for most on July 7th, 2005. It will likely be akin to 9/11 – 7/7. Tragic and barbaric are the only words that come to my mind as I see and read about the events. Please keep those who were affected by this awful event in your prayers. Immediately after the bombings, world markets plummeted but the next day they rallied. What do we need to do moving forward? All factors are currently being evaluated and appropriate actions will be taken, when and if necessary. When uncertainty is generated in the markets, it causes volatility – which in turn often causes opportunity. We're not making any short term changes right now. This event may break the speculative price gouging we're all feeling on petroleum products.

This event happened off of our soil and was really taken in stride by our markets – we need to expect that such an event will likely happen here again – at some point. I hope and pray that I am 100% wrong on this – but we need to prepare for such a thing. Americans do not take well to changes in our world. We are likely the least tolerant population on the planet. We are really easy targets – take out our electricity for an extended period and we'll all go hungry. People don't provide for themselves – they buy it and refrigerate or freeze it. With global markets rebounding so quickly from the 7/7 attack, some schools of thought feel there is terrorism now priced into the markets. I believe that may be true if it happens outside of the USA. If it happens here it likely isn't priced in – because of our societal programming – many feel that war and terror should only happen elsewhere. War and terror shouldn't happen, period but unfortunately it's a reality in our world today. When I was a child the worst that could really happen was losing in a fist fight. Today we live in a world where need to be concerned about some nut-case bombing something we happen to be next to or traveling in. Let's hope things change and the world becomes a more peaceful place – why can't humans just get along?

Noteworthy News !!!

Congratulations to Brent Berling on his retirement from Ward Leonard in Thomaston – everyday is now Saturday. ☺

Congratulations to Steve & Kathy Turner on their recent marriage, have a wonderful honeymoon. ☺

Our Condolences to Dan Holt and family on the passing of Dan's wife Michele ☹

Our Condolences to Irene Benvenuti and her family on the passing of her brother John Petro ☹

Our Condolences to Edward Morrison & family on the passing of Ed's mother. ☹

Indexing House of Cards?

Arguably the most popular investment vehicle today are index funds. Though they cannot be invested in directly, there are many clones on the market – open end funds, closed end funds, etf, vipers, etc. Since the equity markets are an auction system, more buyers raises the value and more sellers causes prices to decline. As people blindly buy indexes, the components of the index are getting pressure to rise by the sheer number of buyers. Does this make the individual components a good value? NO!!! Equity value is a combination of intrinsic value and investor sentiment – is this system working fairly for indexes? NO!!! Today's index investor is buying the irrational exuberance of yesterday's blind investor – beware of how you invest. Buying this exuberance can diminish chances of future gains. Is a bond index the same? No – since bonds mature its virtually impossible to hold a consistent bond index – each day that passes causes the portfolio to be one step closer to maturity. Watch for the rocks before you jump into the ocean. ☺

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earnings surprises, which can lead to a less volatile portfolio. Value stocks also typically offer a higher dividend yield which helps alleviate the effect of a price drop in a stocks price to the overall total return.

Many are aware of the potential explosive growth potential of growth stocks as evident by the market in 1995 – 1999. We're also all too aware of the volatile dive those same stocks took from 2000 – 2002. That ride felt like a 747 losing 5000 feet instantly. It isn't a good feeling and it lasts years – perhaps taking over a decade to recover from.

Although we cannot argue that growth and value don't have their differences, many overlap. There are growth managers who own companies traditionally defined as value stocks and vice versa. Growth stocks tend to do well when the economy is very strong and investor sentiment is positive. Value stocks tend to do well when the economy is in or recovering from recession. Value tends to favor lower interest rate environments. This puts us in a conundrum – the current situation isn't crystal clear – we've got mixed signals as we typically do in finance. Let's hedge our bets by using a bit of both styles with a bias towards value and keeping our eyes on things as they unfold. Growth and value strategies can be applied to any segment of the market – domestic stocks, foreign stocks, small stocks, large stocks, mid size stocks, etc. To further fragment the category we can see how people have blurred the lines between the two fundamental styles – we have GAARP – Growth at a reasonable price. Various firms define value as a certain discount to "appraised" value – some want a 10% discount, others a 50% discount and everywhere in between. That sounds great – come see us and we'll show you how. Try to buy your next car with a value strategy – you want 25% of the market price. It can be done. ☺



Money Quiz

Last months winner was Edward Chadwick – known by many as Pop or by my rugrats as Pop-Pop. 36% of home sales were second homes – bought either for investment or vacation purposes? Pop wins dinner for two at Ruby Tuesday's. This months challenge is to dissect the S&P 500 index. From 7/1/00 – 6/30/05 it returned -3.6797% as a capitalization weighted index. If it were an equally weighted index, what would the return have been during the same time period? FYI – our portfolio's have averaged 3.4% - 6.7% during the same time period – the worst market environment in 30+ years. ☺

Account Access ☺

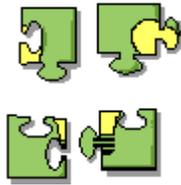
If you'd like to visit your account, log into our website, www.fiscalwisdom.com. If you're not registered, type "a" as username and "b" as password. This will bring you to a new screen – once there hit the yellow register button. Log into this screen using your soc sec # and temporary password of "CHADWICK" Once in, you'll have the opportunity to create your own unique user id and password – please be sure to write this down and store it in a safe place, we do not have access to your user id or password. There will be questions asked to verify you are you and we will get a notice stating you are trying to access your account. Be sure you accurately enter your information for security purposes. After we've verified that you are indeed you, we'll send you an email verifying you are now live and can view your accounts anytime, from anywhere. To view your accounts, go back to www.fiscalwisdom.com and enter your new user id and password. ☺

HSA's – the future?

Most of the population agrees that medical insurance is a complete train wreck in America. Costs are rising at 15 – 20% annually for the past 6 or 7 years with no end in sight. This new concept of the HSA has merit and should be considered. The way this works is you have a high deductible health plan that doesn't have office co-pays. This plan may have a \$3000.00 or \$4000.00 or higher annual deductible. After you've reached the deductible, 100% of expenses are covered. In addition to the high deductible plan, there is a qualified savings account that you own and control and can contribute to on a pre-tax basis and withdraw from tax free if used for medical expenses. Let's look at some math – the average family is paying \$1000 each month for medical insurance. If you're not paying that thank your employer because that's what it costs. This plan is a \$20.00 co-pay plan and most everything is covered. Your annual cost is \$12,000 in premium and maybe another \$200.00 in co-pays – total \$12,200. Now the HAS option plan has a \$5200 deductible and a monthly premium of \$250.00 You "save" the deductible into the HSA on a pre-tax basis and use it to pay all of your expenses until you satisfy the deductible. At that point, if that point occurs depending on your need for care, the insurance pays 100% of your costs. Your annual costs will be somewhere between \$3000.00 (premium) and \$8200.00 (premium & HAS deposits) If you don't need much care you roll your balance forward forever. This strategy is guaranteed to save this hypothetical family \$4000.00 if they have a lot of medical expenses or up to \$9,200.00 if they don't have any. Now of the \$9,200.00 you've got \$5,200 in a HSA account which can't be used for just anything – only medical expenses. Our general philosophy is to give as little to the IRS or to the insurance company so you can enjoy the bulk of your assets. Remember when you pay money unnecessarily you not only lose what you paid, but the potential of what you could have made with what you paid – we call that the opportunity cost. ☺

Inspirational Quotes

- Treat people as if they were what they ought to be, and you help them to become what they are capable of being, Johann Wolfgang Von Goethe
- The mind has exactly the same power as the hands: not merely to grasp the world, but to change it, Colin Wilson
- The only way to discover the limits of the possible is to go beyond them into the impossible, Arthur C. Clarke
- The greatest mistake you can make in life is to be continually fearing that you will make one, Ellen Hubbard
- The best way to predict the future is to invent it, Alan Kay



Radio Trivia

- Of the 25 largest corporations in the world, how many are headquartered in the United States? 16!
- In 1909, when the Waterbury clock-tower was built – the 240’ structure cost \$332,000 to erect!
- What annual rate of return did foundations and other non-profit organizations produce on their investments in 2004 – 11.4%. (If your organization or an organization close to your heart didn’t achieve these type of results, call us and we’ll get you on the right track) ☺
- Squirrels end up with millions because they put the nuts away, not because they make lots of nuts! Keep this in mind as it relates to your money – it’s not about what you make – we’re all broke in America, we’re just broke at different levels. ☺

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

If anyone you care about would benefit from receiving this 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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