

Hurricanes Fuel Markets

It's been an awful time for people living in the gulf coast and Texas panhandle areas. As I write this Rita is expected to hit ground in 36 hours. My heart goes out to those whose lives have been changed forever. I have a colleague whose practice is based in New Orleans and can not fathom what he is living through. I was at a conference there in January – 8 months ago I walked in an area that is now destroyed and partially submerged. Nature is indeed the most powerful thing on this planet and storms like these remind us of that. It is time to reflect internally and see what is truly important. We've made a substantial contribution to help everyone – I hope you're doing something to further that effort. Our problems are negligible when compared to those who have lost everything – including loved ones for some. ☹ Fuel is killing most people. The concept of gasoline going up 50 cents a gallon overnight is

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Auction Markets



Have you ever gone to an auction for antiques, cars, etc? The atmosphere in the facility is often energetic – people raise their hands when they agree to pay the current price, hoping they won't be outbid. If you don't have a preset spending limit in place it's very easy to pay more for something at auction than what it's worth – that's the whole point – to let emotion run the system and get the best possible price on items. Be careful not to raise your hand or you may just be the proud new owner of an antique. What have you paid too much for?

Think of an auction whenever you think of investing. Our markets today are just that – auctions. Whatever willing buyer and seller can agree upon for a price is what things trade at. It's true for stocks, bonds, commodities, real estate – everything in a capitalistic market system. It clearly isn't perfect and markets never go in one direction forever. Just a few days ago gold traded for as much as it did in 1987 – then it started going down again. 18 years is a long time for something to be worth less than it was. Look at real estate – insane today – arguably more so than it was in the late 80's. I am confident that starter homes will not always sell for \$250,000. Be patient; don't let emotion run the ship – use logic and intellect. This is very difficult for most of us – humans are

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downright painful. Why does this happen? Let's explore what's really going on in the energy sector of our country. It has to do with a lot of entities – not just the oil companies. The oil companies are indeed part of the problem, a big part. There are also refineries involved. The refinery is the firm that turns the raw material (crude oil) into the finished product (gasoline, diesel, home heating oil, kerosene, jet fuel, etc.) The refineries have a profit margin known in the industry as a "crack spread." It is the difference in what they buy a barrel of crude for and sell a barrel of the finished product. In these times of high demand for energy they've increased their margins – just because they can. The refining ability in our country is arguably insufficient – they've closed many refineries over the years and nobody wants a new refinery built where they live. Refineries are less welcome than dumps and prisons. Many of our country's refineries are in the Louisiana area at the mouth of the Mississippi river. They were out of business for a while – causing panic that there isn't enough oil. There's plenty of crude oil – there's not plenty of refining and distribution of the finished product in our country. The Gulf of Mexico region is responsible for 27.5% of our country's oil production. When Katrina hit, much of that capacity was put out of service. It's being restored and initial hopes were that it would be done by year end – we'll have to wait and see if Rita pummels it or gives it a break before we'll know final timelines. Basic transportation systems were down for weeks in the gulf coast – causing a bottleneck for distributing petroleum products to parts of the country. Oil companies and distribution companies – some of whom are owned by the same parent company – were able to raise prices overnight. Most did, some fought it – and lost. The local businessman who owns a gas

station is typically contractually obligated to buy his/her fuel from a certain company – and in return for the a promise to buy that company provides marketing support, franchise systems, etc. The signage you see at the station typically wasn't paid for by the fuel company. Most gas station owners can't but fuel at the best price the market has, they typically have to buy it from their dealer – often at higher prices. When the dealer says raise your prices today or we won't sell you any more fuel – the local business owner doesn't have much choice – comply or go out of business. A few locals made news by not complying and closing the fuel pumps. There are lots of people in the fuel chain in America – blame them all. This type of activity is painful today but should cause true exploration for different energy sources. Brazil is run mostly on Ethanol; they pump it in their cars at the "fuel station". Their cars run on either gasoline or ethanol. If we were to incorporate a combination of Ethanol, solar, wind and fuel cell energy system we should be able to be self sufficient in oil production. The technology exists to get 60mpg for cars today – some of the delivery companies you see every day are using it – why isn't this available to us? Profits. It's not all about the OPEC countries – remember there are 11 of them – Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates & Venezuela – it's supply and demand. OPEC has been producing 2,000,000 more barrels per day – our government has released some of the strategic petroleum reserves – we're still paying too much for petroleum products. I spoke with a woman who paid \$1800.00 to fill her oil tanks the other day. This can kill you if your financial house is not in order and there is nothing you can do about it except be a good steward of your own situation. Live below your means, save 20% of your gross wages, protect yourself against loss and make a lot of wonderful memories. Material goods are not what matters – the ones you love are. ☺ ☺ ☺

Noteworthy News !!!

Congratulations to Amber & Daniel Losito on their recent marriage – enjoy the beginning of the rest of your lives together. ☺

Our condolences to the Shanley & Shnyer families on the passing of Lloyd – the loss of an amazing person. ☹

Our condolences to Susan O'Rourke and family on the passing of her mom – the loss of an amazing person. ☹

Our condolences to John Gordon & family on the passing of Marcelle – the loss of an amazing person. ☹

Real Returns

I'm not talking about the interest rate on your bank account or the most recent interest rate on the performance report we've sent you – I'm talking about net numbers after all of the costs have been calculated. I call this disease selective amnesia – it is really apparent with homes. People typically remember what they paid for a home and what they sold it for – nothing in between. That's accurate if you live in a vacuum – but we all live in reality so let's count the true costs of doing business – repairs, maintenance, upgrades, additions, remodeling. When all of the remodeling is done you start over again. Don't forget property taxes and homeowners insurance – flood insurance too if you live in a low lying or hurricane prone area. Let's look at real returns – adjusted for inflation, taxes and expenses of various asset categories from 1926 – 2004:

Inflation = 3.04% S&P 500 Index = 4.96%
Dow Index = .8% T-bills = -1.04% 5 Year Bonds
= -.41% Long Bonds = -.04% Your Home = -
2.14% Real rates of return create true increases
in purchasing power – where is your \$? ☺

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emotional creatures. Behaving in a way that defies emotion is exactly why most of the population is poor investors. Realize that the markets don't have to go straight up for you to make money. The only time markets need to go up in order for you to make money is if you're investing in indexes, ETF's Spiders, Vipers or their equivalents. For the past 6 or 7 years the markets have been volatile, flat, sometimes down substantially – not markets conducive to profits for index or passive investors – unless you're shorting or hedging them. The craziness and scariness in the world is a great time for investors – the emotion causes large discrepancies in prices allowing patient, logical investors to profit over the long haul. Which camp are you in? If investing were really easy, everyone would be rich – they're not, so don't listen to them. ☺

Long & Short

Investors can make profits when prices are going up or down – that's right – up or down. Many people believe the only way to make a profit is when prices are increasing. That is true if you are a long investor – an owner with interests in rising prices. If you believe things are going to come down you can profit from that too by shorting it – being a short investor means that you sell a security at today's price (the security is borrowed from the firm) and you can re-buy the security later at a lower price, pocketing the difference. Profiting by price increases or decreases – only in investing. Just recently many firms have introduced products that are short on oil, energy, indexes, real estate, etc. Short sellers are the ones who exposed the Enron scandal – shorting may not be for you but I sure listen to what short sellers have to say and what they've gained from their research – they're looking for reasons to justify price decreases – a good way to keep your research honest. ☺

Stress & Health



Money Quiz

Last two month's there was no winner to the quiz. It is such a good question we're going to pose it again – and again until you answer it - this month's 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?

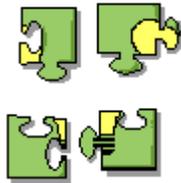
Account Access ☺

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. ☺ I purposely ran this again so you can get into the website – not a Freudian slip. ☺

People seem to be more prone to sickness and disease today than ever before. I don't know if it is because information travels faster and it just seems that way or if it is indeed a true net increase. I believe stress to be an important piece of the equation. Stress likely manifests itself in physical ailments – eventually. Our fast paced lifestyles tend to produce more stress – how do we defeat it? The first step is not to worry about things you cannot control. Be an optimist. Is the glass half full or half empty? Each day when I come to work and turn on my computer a message appears – it reads "attitude is altitude" – this same message is on my cell phone. I'm "programming" myself to think positively. Have you ever passed by someone and casually said "how are you" and had to listen to a 15 minute rant on how bad they are, how awful the world is to them and all the while you're thinking why did I ever ask? I call those people black holes – they'll suck all of the positive energy you have right out of you – and you'll end up less happy as a result of it. Don't be one of those people and don't hang around any of them. Activity is something most of us lack in America – everything is about convenience and automation – are you getting enough exercise? Everyone knows to eat well and exercise but are you actually doing it? Today we have remote controls to change channels – drive through windows at fast food chains (not eating there too often is another great way to stay healthy) and home delivery of our groceries. We don't have to do any physical labor to stay alive – it's all automated. Go for a walk each and every day – start with a short walk and each day increase it – before you know it you'll be in better shape, have more energy and be a much happier, healthy person because of it. ☺☺☺

Inspirational Quotes

- Convenience is expensive; ignorance is deadly, author unknown.
- Change before you have to, Jack Welch.
- Avoid having your ego so close to your position that when your position falls, your ego goes with it, Colin Powell.
- You have to do your own growing no matter how tall your grandfather was, Abe Lincoln.
- Beware of small expenses; a small leak will sink a great ship, Ben Franklin.
- Always behave like a duck – keep calm and unruffled on the surface but paddle like the devil underneath, Jacob Braude.
- You can't build a reputation on what you are going to do, Henry Ford.



Radio Trivia

- What is the cost for Saudi Arabia to produce one barrel of oil? We pay \$65.71 per barrel as I write this on 8/23/05. \$1.50. No Joke
- The median price of a home sold in America as of July 2005 is \$218,000.00, what is the median price of a home sold in San Francisco?\$727,000.00 ☹
- The average hourly wage of an American worker in 2005? \$16.16 per hour ☺
- What is the average annual cost of a nursing home in Connecticut? \$96,000.00 ☹ Ouch...Better prepare for this one.

We're going to be adding more prizes to the weekly radio trivia; do you think you've got what it takes to answer our challenging questions? You'll only have 55 minutes to figure it out. Good luck. ☺

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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