

Year End Strategies

It's hard to believe but 2005 is coming to a close. It's time to begin thinking about what you can do this year to help keep your financial house in order. 12/31 is the last day to do a lot of things of a financial nature. If you want to reduce your income taxes consider any of the following ideas:

- Maximizing your retirement plan contribution for the year. If you're self employed establish a pension plan for current year tax savings. Most plans need to be established by 12/31 - you can often fund them by tax filing deadline but the plans need to be established.
- Pay your property taxes and estimated taxes in December for a current year deduction.
- Postpone that marriage until the New Year - many people believe there is a savings in taxes when you marry, unfortunately it's the opposite.

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Keeping Score



As basketball season is getting underway many in the New England area are getting ramped up for UCONN. Although UCONN is a dominant sports franchise today, when I went there they couldn't give away tickets to games, they were everywhere - on tables for the taking - for free. Now corporations have to pay a premium just for the privilege of buying seats at the game. That premium has risen exponentially in the last 10 years. It's risen because of scores - UCONN's dominant position in the basketball arena. I want you to think about going to watch the lady Huskies play Tennessee - the big rivalry.....but this game will be a bit different, there won't be any score. Are you still interested in going? I'm guessing your not, I'm certainly not interested in going. Keeping score is what makes us work harder, dig deeper, get better. With respect to your finances are you keeping score? I see countless people who think they know what they have, where it is and how it's doing but they're not keeping score. I'll submit that without keeping score you have no way of knowing how you're really doing. Without keeping score you have nothing to compare to, no gauge against competition, and no way to accurately track your progress. I'm a big advocate of keeping score. We have tools to help you keep score and make sure you reach your objectives. I've seen countless new clients lately who are all great savers, have a nice nest egg saved up but are

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- Have more rugrats – children give most people a tax credit and additional personal exemptions. It may pay to induce. ☺
- Sell your losers – if you have an investment that hasn't panned out now is the time to take a tax advantage on the sale of that asset for repositioning.
- Don't buy mutual funds ex-dividend. This is just before they pay an annual dividend – it typically causes a tax burden for the shareholder with no net gain.
- If you're 70 ½ or older or inherited a BDA or "Stretch" IRA make sure you take your required minimum distributions (RMD's) If you don't follow these nebulous guidelines the penalty tax is 50% of what you should have taken. We'll make the calculations for you or those you love for free. ☺
- Deal with stock options that may expire and plan on selling them while valuable – preferably in a year when your income will be low – good time to offset other losses.
- Health care accounts – HSA's, MSA's – many tax advantaged places to park health care dollars – make sure you've maximized your contributions and if your account has use it or lose it provisions buy glasses, contacts, prescriptions, something to use the money – never lose it.
- Move – if you plan on moving at some point in the near future and want to sell your primary residence, there is tremendous tax incentive combined with a hot but quickly cooling off housing market can make for a handsome tax free profit under current tax laws. Any question's, as always please call for advice. ☺

The Required What ?

RMD stands for Required Minimum Distribution. This is money that people over age 70½ need to withdrawal from their qualified retirement plan (any plan where money goes in on a pre-tax basis and comes out taxable, typically IRA, 401(k), 403(b), Pension, Keogh, SEP, SIMPLE, SARSEP, Single(k), DB plan, etc.) Some people under the age of 70½ also need to make such withdrawals if they are the beneficiary of a qualified plan or a "stretch" IRA. Stretch refers to extending or stretching the tax deferred status of an IRA or other qualified plan through multiple generations, a tremendous tax saving opportunity. The laws states that if the distribution isn't taken, the penalty tax is 50% of what should have been taken - ouch. ☹ This is the most painful penalty tax I know of so be sure you're taking the distributions you need to be taking and pass the word on to those you love so they don't get any nasty surprises. Just recently, the IRS has begun keeping score of who is and isn't taking their RMD's. This is the first time that there has ever been any policing of the RMD. As assets in qualified plans top the trillions today, be sure the IRS will spend much more time here as it see's a wonderful source of new revenue for government coffers. Here are a couple of examples of what RMD's will look like for a few situations:

A retiree age 70/12 has a \$500,000 balance in her IRA rollover - RMD is \$18,867.92

A retiree age 81 has an \$800,000 balance in his Keogh and his wife is age 63 - RMD is \$34,188.03

A woman age 54 is holding a "stretch IRA" inherited from her mom with a balance of \$275,000 - RMD is \$8757.96.

If you need help with this call, we'll make your calculations free of charge. We'll also show you how to reduce what you're taking out if you don't need the

Noteworthy News! ! !

Congratulations to Kyle & Janaura Bishop on the arrival of baby Divita Marie on November 7th. ☺

Congratulations to Amber & Daniel Losito on the arrival of baby Brandon Lewis on November 7th. ☺

Our Condolences to the Callahan-Colasurdo-Negri Families on the passing of Buffy - a wonderful person now with Bronc again. ☹

Congratulations to Kevin & Liz Ebner on the purchase of their new home in Harwinton. ☺

Congratulations to Ziggy & Virginia Maciokas on the arrival of two new grandbabies. ☺

Congratulations to Gert Conroy on the arrival of one new grandbaby. ☺

Congratulations to Veronica Trotto on the purchase of her new home in Oxford. ☺

Real Tax Implications

If you work for a company and have a group disability insurance benefit, look carefully at the taxation of that benefit. Most plans cover the employee for up to 60% of pay with a \$5,000.00 monthly maximum. That's great but if the employer pays the premiums for you that benefit is taxable income. After tax, you'll likely have 40% of your normal income and I'm betting you can't live well on that if at all. You need to pay the premiums with after tax dollars or at least pay tax on the premiums to make the benefit tax free to you. If your employer won't allow either of the above, be sure to supplement what you have at work with a personal disability plan so you'll have all of your income on an after tax basis - which is how we all live. This is your biggest financial risk. ☹ If you're self employed, never write off the cost of this insurance - If you do the benefit will become taxable. Pay taxes on the pennies, not the dollars. This is an area of finance where people rarely have it straight. If you have questions call to discuss your situation ☺

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failing to keep score. They don't know what their real rates of return are, how close they'll be to accomplishing their objectives or how they are performing against what else is available - all because they're not keeping score. There is a universal law I'd like to share with you - anything you pay attention to improves, period. If you're trying to lose weight would you avoid the scale for 3 years? Of course not but why do people avoid keeping score financially? Perhaps it's due to the inability to do it, perhaps it to laborious, either way it needs to be done. The good news is we keep score for you. We'll not only track your progress against original goals, plans and objectives but we'll keep score every day to see how we're doing with current plans vs. what else is out there. If a change is in order, we'll effect that change proactively. Why wait until something is a problem, deal with it head on and help improve your outcomes rather than having to play defense when a problem arises.

How successful do you think the greats in our world would have been without scorecards? I'm guessing not very successful. We wouldn't have any sports, any heroes any statistics. Could you imagine a world without statistics? You're car shopping and the description of the car is simply 4 door car. No mention of horsepower, braking distance, fuel economy, safety ratings, etc. No difference in all the cars out there? I think there is a tremendous difference in almost everything out there - mostly separated by score, rank statistic, call it what you like - it's a score. Education is the foundation of our society and it is all about scores - in fact some prestigious institutions can charge massive premiums for entry, be very selective and offer superior placement rates because of their scores. Today life is all about scores whether you like it or not and it's not going away. Remember the old adage, if you can't beat 'em, join 'em. The lesson here is that if you're keeping score you will do better than if you aren't keeping score. How are you doing? ☺

Problems & Perspectives

We've all got issues to deal with but it is important to put things in perspective. The number one issue is our health and if we have that then everything else is extra its gravy. Be thankful for what you have - I am thankful every day for our health, my family and the ability for us to touch everyone on a positive note and help the greater good for all of mankind. On a daily basis I also see people who are fighting off or through their problems - some big, most small. In most instances the problems aren't life shattering - something just isn't going the way we'd like it to go. Living here in America, outside of health concerns, most of us don't have any big problems. My heart goes out to those in the Gulf Coast region - Louisiana, Mississippi and Texas and the surrounding areas. They've got real problems - big problems. These people still don't have places to live, food to eat and water to drink - schools for their children to learn in. In the big scheme of things, I hope most of our problems remain trivial compared to theirs. People living in areas of war and our soldiers at war in various parts of the world have real problems. The folks here in law enforcement, FBI, Homeland Security, AFT and other government organizations responsible for the public safety have big problems. You cannot worry about those things you cannot control - for the things you can do the right thing so you'll never have regrets later on. Good planning today will ensure that no matter how things unfold for you and your family things will happen the way you want them to. Poor planning or procrastination will guarantee failure of your intentions. Which place would you rather be? I'm guessing you'd all prefer the former. Get the job done and ask yourself, what are you doing for the greater good? We all have a special role we play in the world - play your role to the best of your ability. ☺ ☺ ☺



Money Quiz

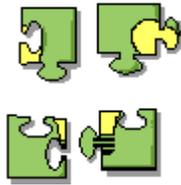
Congratulations to Mark Danaher on winning last month's quiz. He & Laurie will enjoy a dinner on us. ☺ We had a lot of correct answers this time. The average American consumes 2.8 Gallons of oil daily. This month's challenge is to figure out what stock index saw its all time high on 11/25/05? Work quickly, once this newsletter hits the public I'm inundated with answers - good luck. 11:28:05

Preparing Heirs ☺

Most people believe that after the wills and trusts are set up, all has been done to help prepare the next generation, for the responsibility of handling the family resources. That isn't true. There is not only an opportunity but I believe an obligation to teach the next generation how to deal with such responsibility. Today young folks are asked to suddenly be responsible for an estate that may include businesses, real estate, investments, etc. Statistics show us that 70% of generational transfers fail to effectively pass family values from one generation to the next. We have a process that will help your children, nieces, nephews, friends, whoever learn to understand and get their arms around what it means to become the new decision maker in a family estate transfer. If you'd like to be sure you're estate is set up properly and the next generation is educated on how to handle it, please call now. We've had a lot of sad phone calls where it was too late to help improve outcomes - don't let that happen you or your family. ☺

Inspirational Quotes

- We must become the change we want to see, Mahatma Gandhi.
- Vitality shows not only the ability to persist, but the ability to start over, F. Scott Fitzgerald.
- The only way to discover the limits of the possible is to go beyond them into the impossible, Arthur C. Clarke.
- 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 the same power as the hands; not merely to grasp the world, but to change it, Colin Wilson.



Radio Trivia

- The median household income in Mississippi is \$32,397.00, what is it in Connecticut? \$56,356.00 – the highest in the nation.
- In the past 15 years the S&P 500 has had a positive return how many times? 13 out of 15. 😊
- What is the most reliable manufacturer of automobiles selling cars in the USA? Lexus.
- What make & model of car has been the most reliable ever sold in the USA? Lexus LS400.
-

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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