

BDA – IRA's

Unfortunately we've seen a lot of death this month and it is imperative the mechanics of implementing a s t r e t c h IRA are understood. You only have one chance to get this done correctly – there are no 60 day waiting periods to help if you've made an error. Now Natalie can roll the entire IRA into her IRA, tax free. When someone dies and they name a child as the beneficiary of their IRA (most qualified retirement plans don't allow this, so be sure to get your assets into an IRA to avoid giving money to Uncle Sam unnecessarily) the intent is typically to avoid paying income taxes now and stretch the tax deferred status. The only way to do this is to make sure the firm who is holding the IRA retitles the account to read accordingly and subsequently rolls it over and codes it correctly. Let's say Sally Smith dies and leaves her IRA to her daughter Emma Smith. In this example Sally's IRA was held with Schwab. The beneficiary or appointed counsel need to contact Schwab and have them re-title Sally's IRA to

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Achieving Greatness!

The desire for change typically always begins with being unhappy about something. Not all people desire greatness but most of us have something we'd like to change. People will do more to avoid pain than gain pleasure. How do we get around our self imposed limits to achieve great things or accomplish our objectives? It's mostly in our heads. A wise old gentleman once told me the longest distance anything will ever travel is a quarter inch – the thickness of the human skull – getting information into our brains about finances is often difficult – minds are like cement all mixed up and permanently set. We all have certain things we believe and operate in a certain comfort zone. It all starts by changing your thinking – how the computer is programmed. Every great thing, breakthrough, invention all began as a single thought. Einstein once said "The same level of thinking that got you to this point in your life cannot possibly be the same level of thinking to get you to the next point in your life." Changing your thinking changes your beliefs – slowly – this doesn't happen overnight. You need to reprogram your thinking which will in turn reprogram your beliefs. This process needs to be done constantly for at least a month before your subconscious will totally buy into it. Belief is powerful – medical studies prove that placebo's can heal people – if they believe. The moment you begin believing in something it begins coming true - your belief system is revealed in your

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read "Sally Smith deceased, Emma Smith Beneficiary. Emma now needs to set up a BDA-IRA (beneficiary designation account – individual retirement account) account at the institution she'd like to hold the money – let's say she would like her account to be with Legg Mason. Legg Mason will set up a BDA-IRA and request a rollover from Schwab. Schwab will have its own proprietary paperwork that needs to be completed and they'll likely request a copy of a certified death certificate to make it happen. The firm must code the distribution as a rollover and not a death distribution – the check needs to be made payable to Schwab, not Emma Smith. If it is coded as a rollover Schwab will not report any distribution and Legg Mason will have a corresponding 5498 showing the assets were transferred. If these steps are followed the IRA will be rolled into the daughters account and no taxes are currently due.

Many people believe that as long as they "roll it over" and don't cash the check a valid rollover has occurred. This isn't the case – the beneficiary cannot accept the check, it cannot be made payable to the beneficiary and the tax coding must be done correctly. This month we've had three families going through this and with one we were in touch with a major New York based life insurer. The people at the insurance company had no idea what needed to be done and didn't even know there were various forms of tax reporting as options. If we didn't persist and demand to speak with supervisor after supervisor, the negligence of the company would have caused massive tax implications for the family. When it comes to this process it's very technical and unforgiving. Make sure you've named beneficiaries on your accounts – you cannot stretch and defer income taxes unless you've named beneficiaries. If someone retires from work and still has the pension, 401(k), 403(b) it is imperative it is rolled into an IRA so you can stretch for tax deferral. If this applies to you or anyone you love or there are questions, call anytime and we'll walk you through the process. ☺

Liquid Gold Mechanics

The price of fuel and petroleum products has everyone outraged – let's look at the mechanics of the pricing system. The marketplace is now global – USA doesn't control local prices although they are clearly making record profits lately. Legislation has a big impact on prices – in early 2006 the Government decided all gasoline going into our cars needs to be 15% Ethanol – this is part of the blame for rising prices as our Ethanol production isn't up to speed yet. It'll take the industry a few years to catch demand for petroleum products, the oil giants making huge profits today should be investing heavily in new sources of fuel as global demand isn't going to dwindle anytime soon. Certain areas of the country have specific emissions laws aiming at cleaning the air – this also causes higher regional prices as the fuel recipe is different and only certain local refineries can produce it. In California where prices are typically the highest they've got reformulated gasoline rules that are much tougher than federal standards and causes higher prices – California has a few other things working against it – a 20% local sales and use tax, an 18.4 cents/gallon federal excise tax, a 18 cent/gallon state excise tax and it's distance from the Gulf is far, driving prices up. Here is what gasoline sells for in foreign countries: Netherlands \$6.48; Norway \$6.27; Italy \$5.96 Denmark \$5.93 Belgium \$5.91. It doesn't feel as bad now knowing that it's much more expensive in other parts of the world. It's also much cheaper in oil rich nations – here is what they pay where petroleum is aplenty - Saudi Arabia \$0.91; Kuwait \$0.78; Egypt \$0.65; Nigeria \$0.38 and the kicker Venezuela \$0.12 – yes twelve cents a gallon. Water is \$13.00 per gallon but gas is cheap. ☺

Noteworthy News! ! !

Congratulations to Steve & Denise LePage on the birth of their new daughter Mikaela Pearl. Congratulations to Steve on his recent promotion to Assistant Principal of Wolcott High School. ☺

Congratulations to Steve & Kathy Turner on the birth of their daughter Sarah Elizabeth - a single blessing. ☺

Congratulations to Keith & Jen Marceski on the purchase of their new home on Woodridge Lake. ☺

Our condolences to John & Terri Wilmarth & family on the passing of Terri's father Bill. ☺

Congratulations to Glynn Rockefeller on his new job at St. Paul Travelers. ☺

Congratulations to the Danaher family on birth of Emma Rose & Tegan Mark – a double blessing. ☺

Congratulations to Brian & Susan Sanders on the purchase of their new home. ☺

Radio Show Is Now Online

You can now hear the radio show through the internet. This is very useful for those in the family who reside out of state, overseas or just outside of the signal strength area. To listen to us live on Tuesday's from 6:00 – 7:00 pm EST from anywhere on the planet, just visit www.watr.com Once you've arrived click on the blue "Listen Live" button on the top left portion of the screen and bingo – you'll be listening. If you'd prefer the old school style of radio just tune into 1320 am WATR any Tuesday night from 6:00 – 7:00 and you'll get live financial advice, entertainment and education. If you'd like to hear about anything in particular on the radio please don't hesitate to call us and suggest topics or specific areas you're interested in – we'll custom tailor our discussions to what you would like to hear about. We have a special voicemail box for radio show suggestions, comments, quiz answers, etc. There is also a section of our website, www.fiscalwisdom.com dedicated to the radio show.

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words. What you say and how you say it reveal much about you – are you confident, optimistic, scared? It all comes through the spoken word and is incredibly powerful. The spoken word is powerful but we all communicate nonverbally as well – what you do with your body, tone, inflection, eyes all reveal your beliefs. Once your beliefs change your performance will too. Does Tiger Woods fear making the big drive or the big putt? No, he believes he was made to do it and will succeed every time. He's gone through it in his head thousands of times – every one of them was a success so when he's doing it live it isn't the first time, it's just another repeat of an age old performance. To the average schlep it's a big deal because they've never visualized it. I see this phenomenon specifically in people's financial lives – they believe something to be scary – it owns them. They cannot work around it, cannot violate this belief and self limit because of it. If what you believe to be true turns out not to be true, when would you like to find out about that? Many of us believe in things that are not true, the trick is to have the ability to have strong convictions about what you believe and simultaneously be open to new information. This is a rare combination of skills but it is magnetic. People are drawn to confidence – it alone can differentiate between failure and success. Confidence turns dangers into opportunities. Confidence isn't arrogance and along with it needs to come caring not cunning. Confidence in one person can inspire others to believe in themselves and do the right things today to help improve their outcomes. This powerful recipe can turn simple thoughts into mind boggling results. What do you believe? Is there a discontent in your life that you would like to change? This is a great recipe to do it – this very recipe is how great leaders and historical figures have transformed their performance – if it works for them it'll certainly work for us. Do you believe in your heart of hearts what you want to accomplish? When you look at yourself in the bathroom mirror do you feel inspired, confident and happy? I hope so. ☺



Money Quiz

Last month's quiz was won by Haley Lampron. She & Troy enjoy dinner on us at Hot Tamales. A net worth of \$328,500 will put you in the top 25% of households. This month's challenge is to tell me how many Americans turn age 60 each day? The winner is going to dinner on us at any one of a few select fine dining establishments. 04:24:06

Licensure – What a joke! 😊

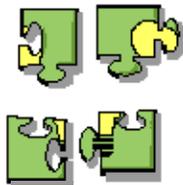
Our society mandates we get licenses for important issues – I need certain licenses to help you be a good steward with what you've been entrusted with, your physician needs a license to keep you well, etc. Those are great licenses and they help society. Then we've got licenses that are actually taxes, aggravation and additional minutia in our lives – over the holiday weekend fishing season started and you'll need a license to wrangle with a trout – another license to hunt ducks, deer or dingoes – a license to own your dog (it's more if (s)he isn't spayed or neutered) and another license to drive your car, register your car, your ATV, boat, trailer, etc. Why don't people need licensing for having a child? Any idiot can bring a baby into the world, fail to take responsibility and they "system" will then take care of balance. The same is true for those left taking responsibility for personal finances of minors or dependants or those who are now incapable of making their own decisions – who is going to make conscious, responsible decisions for you or your loved ones should something go wrong? Make sure you've spent time to put plans in place so this never happens to you. If you haven't call and we'll get it going. 😊

Which College?

For most people there are two major financial hurdles – college & retirement. Focus on retirement as there is help for college but no help for retirement. Have you ever heard of a retirement loan, retirement scholarship or retirement stipend? I didn't think so – college hits first and is on the minds of people so they typically address it first – big mistake. If you think college is a big deal wait until you try to address retirement. Here is a big picture viewpoint of the magnitude of the numbers – you can get a perfectly good college degree today for \$20,000. Two years at a local community college or a UCONN branch and two years of a State University College (Southern, Eastern Western or Central.) It isn't the education people want but it is perfectly good – I did two years at what was Waterbury State Technical College and two years at UCONN. UCONN wasn't the big deal it is today when I went – it was where you go if you didn't know what you were doing when you grew up. You can also spend \$160,000 for the same degree at a private university. If your education will include advanced degrees such as physicians and attorneys easily double these numbers. Retirement is a much bigger deal – if you make \$100,000 today and want to retire with the same income you'll need \$2,000,000. If you're not going to retire for 20 years on an inflation adjusted basis you'll need \$3,680,000 to retire. If you make \$250,000 today and want to retire in 20 years you'll need \$9,200,000. If you make \$400,000 today and want to retire in 4 years you'll also need \$9,200,000. You thought college was a big deal, now you see retirement makes it look tiny. The message here is to look at both college and retirement simultaneously, prior to committing resources to either then decide which is more important. Some can do both easily, most need some type of compromise.

Inspirational Quotes

- You don't get to choose how you're going to die, or when. You can only choose how you're going to live, now, Joan Baez
- Everyone has talent. What is rare is the courage to follow that talent to the dark place where it leads, Erica Jong
- One can never consent to creep when one feels the impulse to soar, Helen Keller
- What's terrible is to pretend that the second-rate is first-rate. To pretend that you don't need love when you do; or you like your work when you know quite well you're capable of better, Doris Lessing. ☺



Radio Trivia

- If you earn over \$100,000 annually, what are the chances of being audited by the IRS? 1.56% or 1 in 64 returns.
- If you retire in 2006, what is the maximum monthly retirement social security benefit you may receive? \$2053.00 each month.
- Student athletes graduate with an average of how much in student debt? \$14,200.00
- Who is the world's largest food manufacturer? Nestle
- Which country sells the least expensive gasoline? How much is it per gallon there? Venezuela - \$.12/gallon – yes twelve cents per gallon.

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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