

The Stealth of Uncle Sam

Most people are oblivious to the fact that our government tracks many things – many more things financial than most people can imagine. After the terrorist attacks of 9/11 there is an increasing emphasis on tracking money – do the right thing and you're all set, cross the line and you will get caught. It also amazes me today that we have criminals – with technology today you are going to get caught, period. Of course we will always have criminals but if they just put the same energy and enthusiasm into a legitimate venture they'd likely be quite successful – but the payoff may take decades and most of them need instant gratification. There is a fund transfer system that the United States Government now has access to via subpoenaed records. This is a far reaching program that monitors, records and captures virtually all international transactions. The firm that provides the data is a Belgium firm known by an acronym, SWIFT. SWIFT is a financial industry owned co-operative that is headquartered in Brussels and has been in operation since 1973. This organization has client financial institutions that report to it in 205 countries and represent over 8000 different

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Your Money Advocates
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Fund Assessment!

The price of a security is often the least important part of the equation in measuring intrinsic value. Today firms can play games with share prices through stock splits, stock dividends, reverse splits, etc. The same games can be played in the fund world – for open or closed end funds. Share price just doesn't matter – not to say financial measures don't matter on a whole firm basis – not just individual share prices. Ratios remain important as always and per share data is valid too – firm P/E and per share P/E should be the same if the math is consistent. Make sure the ratios are being well attended and don't chase performance. I've seen this countless times – people buy what just went up – stop that now. The past few months have been tough for many but if you have professionally managed portfolios buy it now while it's low. This is what it feels like to buy low – things are often scary. Wars, high gas prices, inflation, new Fed chairman – all of these things have happened before and will again – buy low not high. The average foolish investor has just recently begun taking money out of stock funds after 38 consecutive months of heavy inflows. Now that the markets have come down some and there are good buying opportunities the average investor takes money out – don't do it, stop taking it out and buy now – it is a good time to buy. I feel one of the best ways to measure a firm's commitment to its fund is how much the manager(s) of the firm have of their own money

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The Pension Dinosaur

financial institutions. Think of one organization – let's use Bank of America – they have over 5800 branches – that is just one of 8000 firms – granted they're a monster but think about how far reaching this financial reporting agency really is when you think about how many physical locations are represented by it. They track over 11 million transactions per day – yes per day. The member financial firms can be banks, brokerages and other financial service firms. They are regulated by the National Bank of Belgium, The Federal Reserve, The European Central Bank and the Bank of Japan. SWIFT is formally known as Society for Worldwide Interbank Financial Telecommunications – I prefer SWIFT. ☺ SWIFT handles the vast majority of worldwide cross border traffic. The program is now an "essential tool" in fighting terror and has apparently been very successful in tracking and preventing terrorist operations – useful information was obtained with respect to the London bombings of last July 7th as well as other well known incidents. The government assures us that the system is not meant to fish in our personal records but rather act as a harpoon to go through the heart of terrorist activity. I have no problem at all with this. Many incidents that have been planned were disrupted and lives saved as a result of this program. I am all for the government having access to everything – why not? If you have nothing to hide then let them look at it – what are they really going to see – your payments to the mortgage company, CL&P, cable company, etc.

A similar program exists stateside where the government accesses information from Western Union. And you thought sending money from western union was private? Not a chance. Most financial transactions today are indeed not private anymore. Western Union is a subsidiary of parent company First Data Corporation (FDC is the stock ticker symbol – sorry, I think in tickers – when I drive past a Wal-Mart I see WMT, Barnes & Noble BKS, etc. ☺) FDC's headquarters is in Denver and they also have an impressive network reaching across 200 countries and 245,000 associated agents to help transfer the greenback across the globe. Make sure you're doing the right thing! ☺

Amazing news in recent court rulings. The employee group from IBM sued the company for discrimination against older employees when the company killed its defined benefit plan in favor of a cash balance plan (401(k)). Courts surprisingly upheld IBM's decision to change it's pension plan from a defined benefit pension plan (where people receive a guaranteed monthly income based on a formula containing years of service, pay scale and actuarial calculations – what most retirees have today) saying it didn't discriminate against older workers. I agree it didn't discriminate in just this decision but it has the same result – this is because older workers are closer to retirement and don't have the time to save for retirement as younger workers do. The logic is that older workers have more substantial (larger) account balances as the pension transfers and hence the ability to replace or reproduce their pre-retirement income with good financial decision making. This also makes sense but the ramifications on this decision are going to be far reaching. Over 1200 companies in America have pension plans like IBM did – I suspect it's only a matter of time before many more firms do the same thing and put the responsibility for the financial future right on the shoulder of the worker and take it away from the employer. It's not a bad thing as long as you're making conscious, responsible financial decisions and have a well planned financial plan – do you? Once corporate America has virtually eliminated the pension plan next comes non profit America – the 501(c)3 organizations as well as federal, state and municipal governments. How can a non profit entity afford a pension plan when a for profit entity can't? They cannot – so it's just a matter of time before they go away. Already the states, federal governments and towns have tiers of employees – much better to be a tier 1 state employee than a tier 2 – a whole different retirement landscape. I suspect the next tier or two will be no pension at all. With these changes defined contribution plans such as 401(k)'s and 403(b)s should be mandatory – without withdrawal provisions to help improve outcomes. ☺

Noteworthy News! ! !

Congratulations to Mike & Michelle Sanford on the birth of Lynzie - a new playmate for Logan. ☺

Our condolences to Sue & Gary Morin & family on the passing of Sue's father, Gerald Falvey ☺

Congratulations to Dr. Rebecca Andrews on her new position in internal medicine at New Britain General Hospital. ☺

Our condolences to Scott & Kathleen Demsey & family on the passing of Scott's Uncle. ☺

Congratulations to Scott & Jennifer Savoie on the birth of their third beautiful baby girl, Lindsey Elizabeth. ☺

Our condolences to Carol & Michael McCarthy and families, on the passing of Carol's husband and Michael's father, Martin. ☺

Congratulations to Dr. Hynes Birmingham on his new position in the Emergency Department at Eastern Connecticut Health Network. ☺

Our condolences to the Blackman/Matiello/Zampaglione families on the passing of Vikki Zampaglione. ☺

Phone System Relief

Today's # 1 irritant. Last month we discussed how aggravating this thing has become – what ever happened to customer service? I don't know anyone who wants to get into a phone tree. Now we offer you some help on this dilemma. In addition to pressing 0, doing nothing or trying the *#0 combination to end the torture of the phone tree, there is another good alternative. For you web surfers, go to www.gethuman.com This site is spearheading an effort to improve the quality of phone support in the US (US based companies that is – who knows where the call actually ends up but applies to US based operations) This site has an impressive list of shortcuts to get to human beings for over 400 monster corporations with amazing diversity. Help is here for trying to get humans at Honda, Toyota, BMW, American Express, AT&T, Sallie Mae, Many Government Operations (no DMV of course) and a host of others. We hope this helps you in lowering your blood pressure on the phone. If you don't have internet access call and we'll be happy to send you the list. Good Luck. ☺

in it – not bonuses or options, but how much of their own hard earned money landed in the fund they manage from checks they wrote to the fund just like you & I do. Compelling evidence is mounting that when management has its' own money in the funds it manages then the performance is typically that much better. This should be disclosed by law – we have many managers that do it voluntarily but I believe it should be page 1 of the prospectus in simple forms, not accounting jargon. List the name of the manager and how many dollars (s)he has in the fund, period. Here are some of the best and worst fund families in managers' investments in their own cooking:

The Best:

- Royce
- Artisan
- American Funds
- Franklin Templeton

The Bad:

- American Century
- Morgan Stanley
- TIAA CREF
- Federated

The insults – these firms only require managers to put up to \$10,000 of their own money into a fund they manage (realize many portfolio managers earn \$3,000,000+ annually so even \$10,000 of their money is like 15 cents to you & I) Bank of America (Columbia), TIAA-CREF, Wachovia (Evergreen), Fidelity, Vanguard. This hurts and it infuriates me – this should be on the prospectus! Talk about a slap in the face – we at Chadwick Financial have our money right along side yours in what we recommend to you – no bait & switch here. ☺



Money Quiz

Last months' quiz had no winners. ☹️ Oil supply will last 25 more years at the current rate of 84 million barrels per day increasing by 3% annually. This month I'm going to make it very easy so get to work quickly to win! This month's challenge is to tell me how much Tiger Woods is expected to earn in 2006 just for endorsements. The winner is going to dinner on us at any one a few select fine dining establishments. 08:07:06

529 Changes 😊

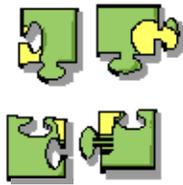
Some of the questions behind the mysterious 529 plan have been eliminated - almost. Just recently the Congress passed new laws permanently eliminating income taxes on 529 plan withdrawals that are for "qualified" higher education (post high school) expenses. The President is expected to sign this bill. This has been a big barrier to entry for a good portion of the population. The new bill also allows for investment in both 529 plans and Coverdell Education Savings Accounts for the same beneficiaries. With the cost of education today they should allow unlimited numbers of accounts. I've always been an advocate of these plans for older children who you know are committed to college but for the youngsters, the rugrats, I'm still a fan of the UGMA/UTMA accounts. There are still tax benefits within these accounts – the first \$850.00 of interest isn't taxed, the next \$850.00 taxed at the child's rate – anything above that is taxed at the custodian's bracket. If your investments are in tax efficient funds, the likelihood of paying taxes on UGMA/UTMA accounts with account balances less than \$50,000 is slim. Feel free to call the office anytime to discuss or if you have questions. 😊 😊

Taking Care of You!

You have a plethora of responsibilities – your family, job or business, children, friends, organizations you belong to, volunteer work you do – it seems to never end. I know my schedule is a train wreck. I don't remember signing up for this crazy life – did you? It is imperative to make sure you're taking care of you and you're doing the right things for yourself so you'll be here for those you love. What are you doing for yourself now? Are you taking good care of yourself physically and mentally? I'm guessing no – most of us come up with other things to do when we decide to do something for ourselves. I routinely have to talk Cupcake into going and taking a spa with candles and just chilling out for a while – she's charged with full rugrat responsibility while I'm at work (which she claims is all the time, I disagree 😊) Taking care of the rugrats is a mind bogglingly difficult task and I give Cupcake and all other stay at home parents a ton of credit – I don't know that I could do it. Making sure you're in good health mentally, physically and spiritually is very important. It is worth taking the time to make sure you're in "good shape" so you'll be better able to handle the stresses of daily life and better rebound from sickness or injury. The beauty of doing these things for ourselves is its just habit building – most of us by default build bad habits so perhaps it's time to schedule in 30 minutes or an hour each day for you – relax, exercise, meditate, play sports, run, take a spa, whatever it is you do or want to do – do it. Take good care of yourself and you'll be better equipped to take on all of the responsibilities you have – the last I checked that list was only getting longer, not shorter – how is your list looking? Nobody has ever said to me, Mike I just take too good care of myself and I feel too well! Did your physician ever ask you how well you'd like to get? No – you want to be 100% or better if possible and anything else is unacceptable. Deciding that you're going to do it is most of the battle – once you decide it'll happen. Good luck! 😊 😊 😊

Inspirational Quotes

- To drift is to be in hell, to be in heaven is to steer, George Bernard Shaw. Where are you?
- There is more to life than increasing its speed, Mahatma Gandhi.
- Manners are a sensitive awareness of the feelings of others. If you have that awareness, you have good manners, no matter what fork you use, Emily Post.
- To have a reason to get up in the morning, it is necessary to possess a guiding principle, Judith Guest.
- The most exhausting thing in life is being insincere, Anne Morrow Lindbergh.



Radio Trivia

- To be in the top 1% of American households in annual income, how much do you need to earn? The top 1% is the top 3,000,000 breadwinners – sounds elite but not really so - \$295,000 in annual income will put you in this group. ☺ I hope you're there!
- What state has the most expensive nursing home care costs? Alaska – Connecticut is # 2 – do you have a plan to deal with this? ☺
- CT has the nations highest gasoline tax, what is it? 60.4 cents/gallon. ☺
- At what age does the average American male retire? 63. ☺ When I ask people when they'd like to retire the typical answers are: yesterday, today, tomorrow. ☺

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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Name _____

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