

New Pension Laws

On August 17, 2006 President Bush signed a new pension law called the Pension Protection Act of 2006. This act has a lot going on inside (merely 1000 pages) but here is my 3rd grade interpretation of what is meaningful and important – impacting the lives of those we serve in plain English. This act removes the “sunset” provision of many of the tax breaks created over the past few years – the sunset meant they would all end in 2010 – now they’re all permanent – at least until they monkey with the laws again. Here is what is now permanent:

- Expanded contributions to IRA's, 401(k)'s, 403(b)'s and catch up contributions.
- Savers tax credit – a low income workers jackpot
- Roth 401(k) & Roth 403(b)
- Portability – you can now essentially roll any retirement plan to any other (Roth's & SIMPLE's excluded)

It is now okay for employers to automatically enroll participants in their company retirement plan without fear of employment law coming after you. This is how it was in the day of the defined benefit plan – it's funny how things

Continued on page 2, New Pension Laws

Structured Fracture!

The investment world carries risk – everything has risk it's just a matter of defining the risk. For what are traditionally thought of as “safe” investments carry the biggest risk of all – inflation risk! Savings, money markets, CD's, any low yielding product that has a guarantee associated with the principal is exposed to serious inflation risk. Remember inflation has historically averaged a 3.1% obstacle over the past 90 years. With respect to your money, you need to be making 3.1% after tax just to break even – that doesn't buy you any more than it did last year – it buys you the same. If you're not making at least 3.1% after taxes you're actually losing money – even if your account balance is slowly increasing!

In the past few years the insurance and investment industry have come up with products that supposedly offer “guarantee of principal” with high returns. Folks, this is never true – investments with potentially high returns don't suffer from inflation risk but they are seriously exposed to market risk – the possibility that your investment value will fluctuate up and down. When a company invents a new product they typically make it very complicated and very expensive. In the past 10 years the equity indexed annuity has been the most prolific of these commodities. These annuities promise either a fixed rate of return or a market rate of return – whichever is higher. In reality there are many moving parts to these contracts that can

Continued on page 3, fracture

INSIDE THIS ISSUE

- 2 Light Life ☺
- 3 Noteworthy News, New Benevolence
- 4 \$ Quiz, 12 Hours, Childs Play, New Member
- 5 Inspirational quotes, Radio Trivia

Your Money Advocates
Live Financial Call in Talk Radio
Tuesday's 6:00 – 7:00 pm WATR 1320

come full circle. ☺

Investment advice – halleluiaah – now employers (beginning 12/31/2006) can hire a firm like ours to be a fiduciary and provide advice to plan participants. We can now act in this capacity even if we're helping with the administration of the pension plan. We will still be here to provide advice for you & participants for a flat fee as we have been all along; it thankfully removes some liability for us. Simplified 5500-EZ requirements – this is the tax return you must file for your pension – if your plan has one participant and less than \$250,000 in assets you'll no longer need one.

Direct rollovers to Roth IRA's – for distributions after 12/31/2007 you can now roll directly to a Roth IRA from a qualified plan without having to go to a traditional IRA first – this is the first signal I've seen of the governments attempt to truly reduce paperwork. ☺ They may be closing the department of rainforest destruction if this trend continues. ☺

Non spouse rollovers – this is huge – also known as the stretch IRA which we've talked about here many times before. You can now stretch your IRA to another beneficiary outside of your spouse or children. This allows qualified plan or IRA money to remain in a tax favored environment for up to three generations even if you don't have children to leave the assets to or decide not to.

Direct deposit of tax returns – effective 12/31/2006 you can now have your tax refund direct deposited into your IRA. Now this makes a lot of sense – rather than taking your tax refund and burning it on something you don't need, pack it away and help improve your outcomes with it. Remember, when doing your taxes if you're using a national firm never go for their instant loan deal – the interest rate on those programs is criminal. In fact, if you're using a national firm call us and we'll give you the name of a local professional who is much better qualified to handle taxes.

The benevolence I'm seeing from the IRS lately is unbelievable to me – I'm excited to help all of you take advantage of these new rules and regulations. As always, if you have any questions on this new law, how it applies to you or anything else please call the office anytime. ☺

Light Life

Light in attitude, not weight is the thrust here. Most of us could use to lose a few pounds, me especially, we could also use to avoid stress – the more we avoid the better, especially the self imposed kind. Think of some of these ideas as ways to take some of the load off just with some attitude adjustments. First thing is don't sweat the small stuff – isn't most of it small stuff? I view our role in the world ultra important – taking care of your future – but a lot of the minutia along the way is indeed small stuff and we try not to let it bog us down or dampen our attitudes about life – how great it is and how lucky we are! Talk about things – communication is key today, keeping it all bundled up inside will ultimately cause you to lose it in one way or another – avoid the explosion by talking about things with those you love and care for. If you don't have people you can talk to build that group or network of people – everyone should have one. Life isn't a competition so don't worry about what others are doing and how well you compare to them – live your life and enjoy it – enjoy your true gifts and abilities. Take time to play and enjoy the things you like regularly! Laugh, laugh, laugh – this is one thing you can never do too much of. If your attitude is good you can find humor in just about anything. Studies show laughter leads to a healthier life with fewer problems – a real good laugh is also a great abdominal workout – when was the last time you had one of those? Relax each day – whether you take a tub, meditate; relax with a drink, whatever you do make sure you do it daily. Don't feel you need to be superhuman – none of us are and we all have our issues so forget the notion that there is a pedestal we must stand on. Learn to say “no” – you can't do everything for everyone and sometimes saying no feels really good and is good for you too. A few years ago after the kids were born we dropped out of many of the things we did and we're much happier now to just hang around the house

Noteworthy News! ! !

Congratulations to the Pasqualicchio family on Dave's election to be the Marshall of the Bristol Mum Festival – what would Forestville do without Dave? ☺

New Benevolence

There is a new, tax favored way to be benevolent today thanks to a new law. The recently passed pension legislation (a mere 1000 pages of fun reading) had a wonderful provision for charities. Most people donate regardless of tax status – some look for that as their sole motivator – whatever your reason making donations to non profits is a wonderful thing. A good argument can be made that when the NYSE was non profit the folks there were not good stewards of the money as they paid now legal embattled former CEO, Dick Grosso over \$300,000,000 in compensation – not a very not for profit thing to do. The same argument can be made for TIAA-CREF who has recently quadrupled many of it's fee's – I think that indeed may cause some profits? (I'm also guessing that their new CEO – who is from Merrill Lynch has a little something to do with that – look for his compensation package to change in the near future) For the most part non profits in our world serve an amazing role in our society and they could use all the help they can get. The new law allows taxpayers to make gifts to qualified non profit organizations (501©3) from their IRA accounts annually. This is as good as it gets – you can now double dip the income tax system. The money that went into your IRA was never taxed – contributions are pre – tax and the growth was tax deferred. If your IRA is a rollover from an employer plan you may have even had a tax free match in your account – now you can give it all away, including the gains – and get a tax deduction for money you never paid taxes on. If you have any plans of giving money away anytime soon this is a no brainer – it's so good I wonder how long it will exist before being scrapped by the legislators. It's especially good to see this immediately following Warren Buffets decision to gift most of his massive estate away to charity just a few months ago. This is a great tax benefit for doing a great thing for the greater good! Lots of greats there, ha? ☺

drastically reduce your return actually realized. There are caps, spreads, fees and other elements that drop your realized returns down to just above what a traditional fixed account pays. Realistically the index annuity is safe from market risk but you'll never get "high" returns – expect something like fixed returns, perhaps a hair better. These products are advertised as "no cost" and "no fee" products – that isn't true – you just can't see the costs, they're all bundled into the product. More recently we have a new wave of structured products that come under an array of different names. They are known as ASTROS, BULS, ARN's, BOXES & Comp's. These products attempt to give the investor great returns, diversification and put a lid on market risk. In the past few years there have been a plethora of new products issued in the markets. These products and their marketplace are new so their marketplace is immature and the public has very little experience in actual performance against statements and marketing literature. These products are often expensive to buy with loads (sales charges) often reaching 6% to purchase them. Some of these products, like REITS, Partnerships and energy trusts provide great cash flow – the returns seem to be great. Don't confuse cash flow's – investment returns and return of principal aren't the same thing. If you invest and get new money or growth from that investment that is true investment return. If you invest and get a return of principal, they're just giving you the money you invested back along a specified schedule – that isn't investment return so be sure not to confuse the issues. As the markets get volatile institutions get creative in making products that sound great, almost too good to be true. Stick to the old adage – if it's too good to be true it probably is. These complicated products are being heavily solicited by the banks and wirehouses (a wirehouse is a national brokerage firm – like Merrill Lynch) so if you have questions or need help, as always, contact us anytime. ☺



The winner of last months' quiz was Barney Miller – he & Elizabeth will enjoy dinner on us at the Outback Steak House. ☺ Tiger Woods is expected to earn \$87,000,000 – that's 87 million - in 2006 just for endorsements – that's a mere \$238,356 per day! If you are in the top 1% of American wage earners – you earn at least \$295,000 annually. This month's challenge is to tell me what percentage of first time home buyers in 2005 bought with no money down? The winner is going to dinner on us at any one of a few select fine dining establishments. 08:28:06

Want 12 More Hours? ☺

Time is the thing we can never get enough of – many of us believe there aren't enough hours in the day. To help you gain more of this valuable commodity we'd like to share a way for you to save time in sorting your junk mail. You can opt out of being "sold" to marketing firms for credit card offers and various other types of solicitations based on your credit. The credit bureau's routinely sell your information for firms to kill the rainforests and solicit you for something you neither want nor need. Here is the way out – go online to www.optoutprescreen.com and register to have your name taken off the list that is sold to marketing firms. You can select to opt out for five years or a permanent opt out of solicitations. I suggest you go for the permanent one – we're hit with plenty of marketing messages each day, if you can stop a few by all means do it. This will save you from having to sort through, open, shred and waste your valuable time dealing with many pieces of junk mail you get every day. By year end, we've calculated you'll have an extra 12 hours to do what you want to do, not things you have to do or waste time on - minutia. ☺

Childs Play!

Teach your children how the money works – my girls are now 4 & 6 and both have a good understanding of how the money works. Hannah constantly demands to know our net worth (which I of course won't tell her) and tells Cupcake not to waste our money when shopping in the store (which she never does but to hear this coming out of the mouth of a six year old is priceless.) This brings me to savings and allowances – do both. Let the kids make decisions with their money and give them more, along with more responsibility as they get older. Don't use what you received as a kid – inflation adjust that number and give the kids incentive to save. 401(kids) is the best method I know – set up a mutual fund for the kids and for every dollar of their money they put in as their savings – match them 100%. This will give them incentive to save and invest young – building good habits when they're easy and fun so there aren't any bad ones to break and re-learn later in life. Don't pay for chores – just let them learn responsibility and money management – let them screw up with \$20 and not \$200,000 later in life. ☺

New Team Member!

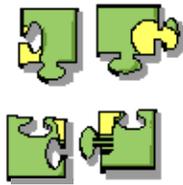
We've added a new member to our team – please welcome Eric Weiss, MBA, CFP® as a staff financial advisor. He comes to us from Sagemark Consulting, brings a wealth of knowledge and wisdom, and will help us in delivering our advice and council to you. You'll all get the chance to interact with Eric in the coming weeks and months. If you need anything, have any questions or concerns; feel free to ask him questions as you would me. When you call the office his extension is 208 and his email is eric@fiscalwisdom.com An interesting fact that always makes me smile – Eric Weiss is a very famous name – it was Houdini's real name. ☺ Eric won't be performing any magic tricks here but he'll certainly help us help you and work towards improving your outcomes. Eric is a brilliant man; you'll enjoy working with him. ☺

Inspirational Quotes

- Anyone can become angry – that is easy. To be angry with the right person, to the right degree, at the right time, for the right amount of time, for the right purpose and in the right way – that is not easy. Aristotle
- Love doesn't make the world go round. Love just makes the ride worthwhile. Franklin Adams
- The most important thing about goals is having one. Geoffrey Abert
- If everything is under control, you're going too slow. Mario Andretti
- You are only old if you're told to slow down by your doctor and not the police. Author Unknown

Radio Trivia

- Since 1980 – 26 years ago – has oil production increased or decreased domestically and by what percentage? Decreased by 42%. ☹
- At what age does the average American retire? Age 63. ☺
- How much damage did Hurricane Katrina cause when she wiped out a good part of the gulf coast? \$80,000,000,000 – that's 80 Billion dollars!
- Your social security retirement check is calculated using an average of how many years of your income? 35 years!
- The average American over age 65 sees a physician how often? Once every other month!



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.

Name _____

Address _____

City _____ State _____ Zip Code _____

Name _____

Address _____

City _____ State _____ Zip Code _____

Registered Representative, securities offered through Cambridge Investment Research, Inc. a Broker/Dealer, member NASD/SIPC. Investment Advisor Representative, Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Chadwick Financial Advisors and Cambridge are not affiliated. Opinions expressed may not necessarily be those of Cambridge Investment Research, Inc.



(800) 843 4513

www.fiscalwisdom.com

Financial Advisors

Please think of us whenever you or someone you care for needs the following:

- Stock option analysis, diversification
- Pensions - qualified and non qualified
- Family Protection Strategies
- Life Insurance
- Investments & Investment Advice
- Business Protection & Succession
- Retirement Plans
- College Funding
- Tax Savings Strategies
- College Financial Aid Strategies
- Required Minimum Distributions
- Debt & Cash Flow Management
- Employment contract negotiations
- Settlement option analysis
- Financial Advice - hourly or annual retainer
- Fee based investment management
- In depth portfolio analysis
- Estate & Income Tax Planning
- Distribution of Assets – IRA, 401(k), etc.
- Retirement Income–Guaranteed or variable
- Disability Income Insurance
- Widow/Widower Assistance
- Nursing Home Asset Protection Strategies
- Long Term Care Insurance & Issues
- Key employee retention strategies
- 401(k) & Retirement Plan Rollovers
- Philanthropic gifting & charitable planning
- Trust, inheritance and foundation planning

Mike Chadwick's Money Matters

199 Main Street
Torrington, CT
06790
860 489 8880

15 New Britain Avenue
Unionville, CT
06085
860 673 1942



Financial Advisors