

## Housing – Buy or Rent

There is nothing wrong with renting! Prior generations came to this country with nothing. They rented for years, worked hard saving their extra money, bought a multi-family, raised kids and a few generations subsequently lived in that home. These people were able to save well for their futures, build investments and assets such as businesses and financial safety nets. Many of them accumulated millions of dollars in investments and businesses. The houses didn't make them money, the discipline did. They didn't have credit cards and lived in a cash world. The big advantage to renting is no surprise expenses; fixed costs that don't change – if the roof or furnace quit, you don't need to find \$15,000 to repair them, you call the landlord. I think people just starting out, older single people and some families are meant to rent. If you don't enjoy house repairs and yard work and cannot afford to pay someone to do them for you, rent! For the multi-family owner, they are collecting rents – essentially living in a small business. If well run, this small business can turn into quite the enterprise – ever hear of the Trump family? That's how it all started. The current generation of people all want to have a

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

## 401(k)ids

Who doesn't want kids that are smart with money? I don't know anyone stepping up to the plate to say "I do" to that question. Many times kids learn from their parents, who were never formally trained, therefore not too good with money. Remember, the apple doesn't fall too far from the tree. We're hoping to change that. Today there is a huge problem with financial illiteracy and it's an exponentially bad situation for certain segments of the population. We are considering a substantial investment into creating a software program and website aimed at kids and teaching them how to be financially educated. At the basic level I've envisioned a savings system that kids can contribute to from their allowance, gifts, etc. that will allow them to "invest" at a stated interest rate. You, the parent or grandparent, state the interest rate, hopefully match the money, and pay the interest. Cupcake and I have built an internal, cumbersome system where we give our rugrats 10% on their hypothetical investment accounts and match 100% of anything they put in it. At five and six, my girls save MOST of their money. We give them each \$1.00 per week and they remind us if we forget. ☺ Last Friday night we were asking the rugrats if they wanted to go out to see a basketball game, Sammy yelled Yeeeeessss, Hannah asked how much does it cost! As if we were going to make her pay her own way into the game – the important thing here is how she's thinking, not the dollar. How many six year olds are thinking about that? Hannah knows that if she saves her \$1.00 each week, I match it with our \$1.00 and she earns 10% interest, by her 7<sup>th</sup> birthday she'll have \$130.59. That's big money for her and she's willing to forego more stuff (junk) today to have a nice

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BIG house – I refer to them as McMansions. Why? Wants or needs? WANTS! I'm a big advocate of people renting or buying a multi-family house until they become financially fit or capitalized. Capitalized means they have enough money to do things on their own by paying cash for big ticket items and aren't borrowing for everything, as most people do today. Most businesses fail because they're under capitalized. Your personal finances are a small business. Once capitalized, you no longer have to go crawling to banks to borrow money for things, you finance them yourself. The common adage that "your house is your biggest investment" is a complete fallacy. Let's look at the reality of housing, good markets and bad markets as well as renting. In the past 15 years real estate has done exceptionally well as an investment – this is a period unprecedented in history. Over the long haul, 30+ years, real estate typically grows by 4-6% gross. This does not include repairs, maintenance, additions, improvements, renovations, etc. It also does not include property taxes (ouch) or homeowner's insurance. When you factor all of those things in, a house is actually a depreciating asset. The real rate of return for a house is usually 0-1% when you factor in all of the extras I just mentioned – we have not even begun to discuss mortgage interest.

A house is a lifestyle decision. I'm not saying sell your home, we own a home and do not rent. We rented for a few years during college and it helped us get capitalized. When we finally bought our home in 1995, we got a great value on it – some say we stole it. I'm not disagreeing with that, but we (more me) were eternally patient looking for a good value. We looked for a house for 3 years and I drove Cupcake crazy because we couldn't find a good value and I wasn't willing to pay top dollar. It's impossible for me to buy anything unless I'm getting a great value on it. We looked at over 100 houses. It's hard for us to drive around Northwest CT without seeing a house we looked at. ☺

It is true that with a house you build equity – but you also have a lot of extra expenses along the way. If you are just scraping by in a rent, don't buy. If you are saving well and renting and would like to own, go for it, but not for investment purposes unless you're buying a multi-family or you are really stealing a

property for an exceptional value. When renting, get the best value and don't pay more than. Never pay more than 20% of your gross income on rent. When you buy, don't buy more than 3 times your annual income. If you make a combined \$100,000 – don't pay more than \$300,000 for the house. The bank is happy to lend you a lot more, so they own you and you cannot get ahead. Did you ever wonder why banks don't keep foreclosed houses? They know there is no money in real estate – it's a financial black hole unless it's an investment property. In today's environment where interest rates are low rate, fixed tax and deductible debt, never pay it off faster than you have to and always get a 30 year fixed rate mortgage. This is all mental – if you could pay off your house and were making more than you're paying on your mortgage, you never would.

## Global Greenbacks

The money and investment flow in the world is now global – more global than ever – to give you an idea of where the wealth is (all dollar amounts are in trillions):

USA = 47,612

Japan = 17,323

Latin America = 2,554

Euro zone = 26,567

Emerging Asia = 9,581 Eastern Europe = 1,780

Honk Kong & Singapore = 1,820

There is about 140 trillion in the world's financial system and it's growing faster than the production of goods and services – 50% faster. Of all of the investment money citizens of the world are willing to put to work in foreign countries, the USA gets 85% of that money! While we in America are net importers of goods, we are also big time net importers of capital – we also get 85% of the world's capital flowing here to be put to work in our capital markets system. This action shows that no matter what people say politically about our country, they're speaking with their pocketbooks by putting their hard earned dollars to work here in America. Countries like China, Japan & places like the Middle East put the vast majority of their capital to work here. This makes me believe we are all on the same side-financially. ☺

# Noteworthy News!!!

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Congratulations to Nikki & Rich Murowsky on the birth of their son, Eli Zachery. ☺

Congratulations to Suzanne Morin on her new position with Farmington Savings Bank. ☺

Congratulations to Greg Albert on his new business, Old School Martial Arts, LLC in Wolcott. ☺

Congratulations to Dr's Paula Gomes & Rachel Trudell on their new practice, Elmwood Dental in West Hartford. The kids can call it Elmo-wood ☺☺☺

Our condolences to the Clark Family on the passing of Roxanne.

Congratulations to Despina Saltourides on the purchase of her new home. ☺

## The Razor Theory

You can give away or sell a product cheaply, but make sure to rape the consumer on the consumables they must have for the product to function. Pete, my mailman, delivered to me the sexiest razor I've ever seen – one with 5 razor blades. It's called the Mach III (does it make the aggravating work of shaving go by at three times the speed of sound? – it's pretty slow now) apparently the one we have with 2 blades doesn't work properly or well enough. The fact that they just gave it to me, unsolicited is comical and a great marketing tool. They gave it to me so hopefully I like it and then I'll buy blades for 10 years. Now the test – my old blade vs. this newfangled jet aircraft blade. They cut the same, feel the same, the new one is more cumbersome but feels a little better in my hand. For the old one, I can buy blades for about \$1.00 each, the new one's blades cost \$2.50 each. I'm sticking with my old razor as long as it works well. It's a mentality – why waste money on the newest fangled gadget that is essentially a waste of money? The same idea is applied to printers – the printer seems cheap at \$400.00, but the ink cartridges are \$200.00 and it goes through them like you and I consume water. Save & Invest the \$\$\$\$.

stash later. They both spend some of their money but save the bulk of it and also save the majority of their gifts. If your kids need more motivation you can always increase the rate of return or the match to hopefully get the fun happening. In our system the parents will have to act as the bank until the kids get too savvy, too rich and the parents can no longer afford this investment system, which will hopefully happen quickly. By the time this happens, the basic tenant should be instilled in the child and then we can move to real investment accounts. My hope is that the parent or grandparent will still match contributions to incentivise the children. It will be FUN! Kids don't want to do things that are boring but they'll move heaven and earth to have some fun. If we can make money fun it should be a real home run for them today as well as for the rest of their lives. This can have a big impact, not only on a local level for those exposed, but nationally our money values should change over the generations in the right direction instead of the current trend. Our hope is that parents and teachers can take an active role with our youth to show them how money works and get them to be earners of interest and not payers of it. I can remember in school when most of my peers said in math and calculus class "we'll never use this, why are we learning it" – I can say that I use all of my math skills every day and am very happy to have them, in fact I try to add to them regularly. Education is something you can never have too much of – in the same category as love, family, friends and fun. Remember, as soon as you stop advancing, you begin declining because those around you will never stop. You always need be learning and pushing the envelope. Never sit back and relax because that is when people will begin walking by you by out learning or outworking you. We want to make this easy, fun and inexpensive, we are tentatively thinking the software will cost \$15.00. Please give us your input on this subject as to how well received or what a gross waste of time you think it may be. Do you believe it's a worthwhile idea? Is it a waste of time? Would you use it with your kids/grandkids? Would you use it with your students? Are there other areas we should include with this? If you know parents or teachers, please share this with them and ask them to give us feedback as well. You can send all of your feedback to us by phone at 860 673 1942, email = [mike@fiscalwisdom.com](mailto:mike@fiscalwisdom.com) or fax 860 673 5177.



## Money Quiz

Last month's quiz winner was Mark Danaher, Congratulations. He & Laurie will enjoy dinner on us at Carmen Anthony's. 90% of stock market returns happened when Congress was not in session. Go figure! This month's challenge is to tell me how many U.S. Households head by women have at least \$1,000,000 in investments? The winner is going to dinner on us at any one of a few select fine dining establishments. CDOCRADIO011107

## Media Meltdown

Why does the media fill our lives with minutia and bad news? I've got an acronym for NEWS – Nothing Educational or Worth Seeing. There may be a few exceptions – the weather and traffic. The rest is bad news – some loser got arrested for killing his girlfriend – a house burnt down – another loser ran from the police and was chased through three towns prior to being apprehended. Some celebrity got married and divorced in the same day. That's a long time for celebrity relationships- they should make a TV show or a book for celebrities on how to have a real family and hold it together like the rest of us do. They are arguably the worst family role models on the planet – why do they get paid \$20 million per picture again? Armageddon is around the corner. Unless it affects me or those I love, WHO CARES??? Who cares about these nutcases committing crimes or in Hollywood? All of this bad news doesn't help. It's high time for the media to begin telling us the good things that happen in our world and to do a better job educating the public. Until they do, this has the net effect of hurting people's decision making abilities, as too many people make decisions on far less than enough information to make a great decision. ☺ ☺

## Islands, Silo's & Groups

We live on a planet with billions of people, yet many of us operate on our own little islands or in our own self constructed silo's within the framework of our world. Why don't we, by default all work together as our ancestors did? We don't know our neighbors but we have close friends on different continents. Technology allows this but we may be missing something valuable, not just at home but at work too. Some people are extroverted while others are introverted, that is understandable. We all have an obligation to contribute to the greater good of the planet and to all of us on it. Why is it that sometimes we don't want to operate in groups but do our own thing, without the help or companionship of others? I'm a big fan of teamwork. The old saying that there is no "I" in team hasn't changed. Anyone can help other people, our contributions to the world are immeasurable but indeed important. During Christmastime, our favorite movie is "It's a Wonderful Life" where George Bailey is given the opportunity to see what the world around him would have been like if he goes through with the suicide he is contemplating. We should all have the chance to see how we impact our worlds and what those around us that we love and care for would be like without each of us and our unique contributions. Most of the things in life are learned, very little is just created. In all my years, I can count on one hand the things that I've "invented" or come up with. Most of what we do for you is a culmination of great ideas we've been taught, read, found, and stumbled across or some combination thereof. Most of the things we teach our children are also a combination of things someone else taught us. Some rivalries develop where people don't want to share with friends, coworkers, colleagues, neighbors; they want to be the boss, the all knowing one, the guru, whatever. It is in everyone's best interests that we share and help one another – we all will be better for it at the end of the day and it's the right thing to do. ☺ ☺ ☺

## Inspirational Quotes

- Always do what you are afraid to do, Ralph Waldo Emerson
- All things are difficult before they are easy, Thomas Fuller
- We can do not great things, only small things with great love, Mother Teresa
- To keep your marriage brimming, with love in the wedding cup, whenever you're wrong, admit it; whenever you're right, shut up, Ogden Nash
- This is the miracle that happens every time to those who really love; the more they give, the more they posses, Rainer Maria Rilke



**We can piece the puzzle together  
and make your money work for you. ☺**

## Radio Trivia

- What percentage of those who lose a spouse are women? 75% ☹
- In 1976 the USA produced 8 million barrels of oil daily – how much do we produce today? 5,000,000 ☹
- How many miles does the average person walk in a lifetime? 115,000. WOW!
- The richest 10% of people in the world own what percentage of the world's assets? 85% ☺

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