

Static!

With the technology available in 2007 it amazes me that AM radio reception is poor unless you live under the radio tower and expose yourself to potentially harmful radiation. Powerful FM radio broadcasts originating in other states can be heard in Connecticut, while only a single AM station comes in well across Connecticut. There is still a lot of static in the air preventing you from being able to hear just the radio – you can mainly hear the noise.

There is also plenty of static emanating from the mass media regarding the financial world. This noise is preventing people from hearing what is truly important about what affects their financial lives. It's painfully evident in the radio world what is static and what the actual radio program is. You never want to hear radio static but you always try to tune into the radio show.

Noise in the media about the financial world is just as ubiquitous as the static on the AM radio band, but is much more difficult to discern. Examples of this noise includes what the market index did today, earnings of a particular company for this quarter, statistical analysis of real estate sales for the month, what some terrorist group did in the Middle East or how the tax code might change next year. It's not that all of this information is

Continued on page 2, Static

INSIDE THIS ISSUE

- 2 Phone Systems, Bonds & Loans
- 3 Noteworthy News, What's important to You?
- 4 \$ Quiz; Athletes & Lotto; Sub prime? @# \$#!#&
- 5 Inspirational quotes, Kids Korner

Venus & Mars

These are apparently the two planets we're from, depending on your sex. Why these planets were chosen instead of Uranus and Pluto is beyond me.

The financial industry hasn't begun to learn how to communicate with women. The old days of women staying home and raising rugrats like Cup does is quickly disappearing. Even if the women don't earn the money, they have a big part in spending it. Women now control (makes or influences the decision) 85% of the financial decisions in this country. And since women have a longer life expectancy than men it is estimated that 90% of all women will eventually control all of a families finances!

All of the communications that come out of Wall Street are aimed directly at men. Men like to hear about fast transactions, inside information and hot tips, regardless of the legality of the information. Wall Street seemingly went to the auto industry to learn communication and marketing skills. Why do automotive salespeople talk down to women or ignore them in conversations, focusing only on the men, when women are the ones buying the cars?

Women communicate very differently than men do so it's important that women receive communication in their style as well. Women don't want to be marketed to, they want to have a two-way stream of communication where they and the other side of the conversation play an active role. Women don't want to hear a sales pitch (who does?!) or gather information. Women desire the opportunity for more input, expect more attentive service, and require more follow-up than their male counterparts. Women in different roles think differently – a career woman has developed different skills than a homemaker has. Younger women come from a different world than older women do. Women

Continued on page 3, Solar System

unimportant, but its effect on your long-term financial health is negligible, though the news media would have you believing otherwise. People have an amazing emotional attachment to news. Why does the news media in general focus on what is sad, troublesome, gruesome, terrible and in general pitiful rather than what is wonderful and enlightening? It's simple – the media are selling ratings: online; newsprint; radio; television. The media is playing the same game with business and financial news-- sensationalizing everything to get your attention. Don't pay attention because it just doesn't matter. The same piece of information can be news for the next six weeks.

The real estate market is imploding in almost all areas following some recent reports just released. This isn't new--this has been coming down the pike for a few years. Why is everyone suddenly reacting to it now, just because it's been printed? Was it any less severe last week or last month? No, everyone knew it was coming and now that we've assigned a number to it, oh my gosh Armageddon is around the corner and the markets must melt.

Realize the markets are auction floors – all markets today are auction floors whether they trade stocks, oil, copper or corn. Have you ever been to an auction? It is a frenzied type of environment and unless you set a specified maximum price you're willing to pay for a certain item you're likely to overpay in the frenzy. This frenzy can go both ways in that you may sell when you wouldn't normally sell as well, but the main point is that it's an emotional issue.

The casinos have perfected the frenzy response. They put you in a building without windows or clocks so you cannot possibly determine the time of day or how long you've been there. They give you alcohol for free, overload your senses with lights & noises and create an "experience" that you want. Notice how the place is laid out: the loudest and most colorful items are placed where you walk in so as to stimulate your senses. They give you access to more of your own money so when you've lost what you went there with you can get more by using their ATM machines. They're brilliantly playing on your weaknesses by taking away many of your built-in defenses. Does the economic news for today matter to you any more or less than yesterday's? NO! The news media needs something to write about: don't let it disrupt your plans. You are on a long-range financial journey through life; this journey is to be measured in years and decades, not minutes or days. The financial media would lead you to believe that today's news is going to have a big impact on your tomorrows, it's just not. Don't listen to the static, concentrate on life. ☺

Bonds & Loans

When you hear the term bond I want you to think of a loan. That's what a bond really is, with modified logistics. When I buy a U.S. Treasury Bond I agree to lend Uncle Sam my \$1,000 and he agrees to pay me a semi-annual coupon (interest) during the repayment period. Then at the end of the repayment period (the date the bond matures) he gives back my \$1,000 (repayment of the loan principal, a sort of balloon payment).

I must ask why the government structures its bond payments to us this way instead of amortizing them like a loan like all of our mortgages? (i.e. paying principal and interest every month, not just interest). Who's best interests are being served here? Would we be better served getting more of our money up front and not at the end? I do believe so.

Recently the government froze the interest rate it pays on EE bonds you buy at banks. Whatever rate you get at time of purchase is locked in for the life of the bond. In the past if interest rates went up, your EE bonds paid more interest. Notice the government made this change when rates were at historical lows, not in 1978 when EE bonds paid 15% interest.

U.S. Government securities are considered risk-free instruments because our Treasury has never defaulted on its debt repayment obligations. What do you think Iraqi bonds are considered? Junk bonds! "Junk" is the term that describes the quality rating awarded by independent rating agencies. Junk, as you might guess, is "below investment grade" quality. This rating indicates the issuing company or government agency has issues, whether they be financial/economic, political or some combination thereof, which may increase the risk of repayment default.

In the past few years some junk bond and emerging market bond mutual funds have posted average annual returns in excess of 20%. As good as this sounds, when things go bad the risk is evident. In the past few months the aggressive funds have lost money, while Treasuries have continued on their merry way without a blip on the screen. Bonds are important but very different – know what you're buying before taking the plunge. ☺

Noteworthy News! ! !

- Congratulations to Jan & Yuko Pfeiffer on the birth of their second baby, Kodi Iniou. Congratulations to Maletta Pfeiffer on her newest grandson. Can you ever have too many? ☺
- Congratulations to Brian Sanders on the start of his new career counseling business, Clear Ambition. www.clearambition.com ☺
- Congratulations to Shirley Moore on the purchase of her new home. ☺
- Congratulations to Linda Colasurdo on her retirement from CIGNA! ☺
- Congratulations to Gary Roberts on his promotion to Sergeant in the Thomaston Police Department! ☺
- Congratulations to Adam & Paula Grace on the birth of their first child, Gabriel. ☺
- Congratulations to Brendan & Courtney Stich on their recent marriage. The beginning of a wonderful life together! ☺
- Congratulations to Eleni Saltourides on her new job as a professor at Naugatuck Valley Community College! ☺

What's Important to You?

We're always trying to give you the most useful, relevant and important information to help you improve your outcomes. We'd like to hear from you about exactly what you'd like to learn about in this monthly newsletter. We're also beginning a book project aimed at giving the reader fiscal wisdom in easily understood language that could be implemented immediately. Please let us know what topics you'd like covered and we'll try to address them in both mediums as time unfolds. Feel free to call, fax or email the office with your ideas and suggestions and we'll do our best to make them a reality. Here are the best communication channels for you to give us your ideas and suggestions or ask any questions you may have:

- Phone = (860) 673 1942 (860) 489 8880 or (800) 843 4513
- Email = mike@fiscalwisdom.com
- Fax = 860 673 5177

Solar System Continued from page 1

certainly don't want to be railroaded into a decision, but value consultants who can help them come to a conclusion on their own. Women tend to make decisions by trusting their feelings and then rationalize and validate the decision they've made. Men use ego and testosterone to appear cool, bigger than they are and knowledgeable.

Let's look at the demographics of women in our world: women have outnumbered men on college campuses since 1979; women have outnumbered men in graduate schools since 1984; women entrepreneurs are starting businesses at more than twice the rate of men and those controlling businesses with revenues of \$10 million or more have grown by 40% in the past decade.

Women have a lot of things to worry about that men do not. Women tend to live longer than men so they ultimately need to know how to deal with money. A man is not a plan! Life events such as marriage, death, and divorce force people to make important decisions. Sadly the average age at which a woman can expect to become a widow is 55. Women will need to accumulate sufficient capital to comfortably live in retirement, perhaps alone, for 3 decades or more. So they'll not only need the capital, but the advice and council with which to deal with tomorrow's financial challenges.

The good news for women is they're much better at managing investment decisions than men are, and women are assiduous learners once they are properly encouraged. I see many women on a day to day basis, and they are comfortable enough to admit what they don't know and they seek council to avoid making a mistake. This financial advisory practice is turning into one that serves mostly women I'm proud to say!

Women are okay with my challenging their assumptions if something is fundamentally flawed, and will work vigorously to correct problems once identified. The financial world is one of a lot of noise in the short-term, but a clear path in the long-run. Women do a much better job at long-term challenges than do men, but men excel in short bursts. If men had to have children, there would be none. Communicating with women is fun, but it's also very different than talking at men! ☺ ☺ ☺

Sub-prime!

This is the buzzword in economics today and is causing much of the current volatility on Wall Street. Sub-prime loans – what the hell is it? Sub-prime loans are loans made to those with less than stellar credit. Historically when banks made loans (mortgages) to customers the banks held the mortgage and kept it as an asset. The risk was retained by the banks: if the mortgage borrower defaulted the bank would proceed with time-consuming and costly foreclosure proceedings. But banks don't really want to be in the real estate business. They're in the money-making business.

The slick new Wall Street way is known as securitization, the method used by many banks to "sell your mortgage" to others, typically pools of investors who are capable and willing to take much more risk than banks ever will, especially our local home grown old Yankee banks around here. Remember the bank doesn't make money unless it keeps making new loans. As this securitization process unfolds the underwriting guidelines slowly get sloppy. For years the only way to buy a home was to put 20% down and prove you could repay the mortgage, show you had ample income and a steady job, not too many other debts and good savings habits. Over the years the 20% became 15%, then 10%, 5% and then yes, 0% down. The borrower soon had no "skin in the game" because they didn't have a nickel of their own money invested in the house – they even financed the closing costs.

In the mid 1990's came a "no income documentation" loan, where you didn't have to prove your income as long as you were borrowing less than 70% of the value of your home. Then over time 80%, then 90%, and ultimately 100% of the purchase price could be borrowed without any income documentation whatsoever. A few years of this type of lending without huge percentages of defaults lulled lenders into thinking this was a safe practice with little potential for disaster.

When real estate values are rising at double-digit rates you can easily refinance your way out of trouble, maybe more than once! But as the real estate market has started to slide the easy way out of trouble has evaporated and now we're faced with the current dilemma. Money has been too easy to get for many who don't deserve it. Bond markets will get rocked, Hedge Funds will close and real estate values will get pummeled. Be sure you're on the gaining end of this system, not on the receiving end. If you'd like to talk more about this complicated but interesting topic, call anytime. ☺ ☺ ☺



Money Quiz

Last month's quiz went unanswered. The percentage of retirees who retire because they've reached their accumulation goals is 0-1% – ouch! ☹ This month's challenge is to tell me how wasteful the consumer is by telling me what percentage of recyclable beverage containers (plastic or aluminum) are not recycled but tossed into a landfill? The winner is going to dinner on us at any one of a few select fine dining establishments. BTN 070207

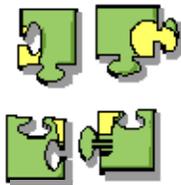
Athletes & Lotto

You may find yourself "running into" obscene amounts of money overnight or perhaps over the course of a few years in certain circumstances. Either situation can subject you, the 'lucky' person, to what I call **sudden wealth syndrome**. Large amounts of new wealth can lead you to believe that not only do you need everything you never had before, you need it NOW! Needs and wants, needs and wants... The real challenge here is how to keep a level head when fortunes suddenly change for the better. For most of us, we slowly, ever so slowly, sometimes seemingly in reverse, climb the economic ladder of life and as we get to higher rungs it's relatively easy to keep a level head and do the right thing, acting as a good steward of the resources that have been entrusted to us. Sudden wealth syndrome may prevent you from making intelligent decisions and may actually cause you to make emotional decisions. Which do you think is better for you? ☺

Most of us average folks have steady incomes that tend to go up over time. For lotto winners the money comes once, so there's only one shot at getting it right – that means 0% tolerance for error. Professional athletes don't earn money for very long so they also have to choose wisely between conservative investments or risky business ventures. I'm leaning towards conservative investments. For football players, the NFL really doesn't stand for the National Football League; it stands for Not For Long, which is exactly how long they'll have a paycheck coming in. Think about it, plan it out and never regret it! ☺ ☺ ☺

Inspirational Quotes

- If you always put limits on everything you do, physical or anything else, it will spread into your work and into your life. There are no limits. There are only plateaus, and you must not stay there, you must go beyond them. *Bruce Lee*
- To hell with circumstances; I create opportunities. *Bruce Lee*
- Wisdom begins in wonder. *Socrates*
- Lead, follow or get out of the way. *Laurence J. Peter*
- Winning is not everything, but wanting to win is. *Vince Lombardi*
- We cannot live only for ourselves. A thousand fibers connect us with our fellow men. *Herman Melville*



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

Kids Korner

Tips to teach our youth about money

We adult consumers are always seeking the biggest bang for our buck. Education for our kids should be no different, and you should enlighten your kids about the economics of higher education. I spent two years at what used to be Waterbury State Technical College & two more years at UCONN. As a commuter to both schools I earned a bachelors degree for less than \$10,000. That is the best bang for the buck in higher education available in America. Does it make sense to spend \$250,000 on a bachelor's degree at a high-end college when you could spend \$35,000 by doing two years of community college and living two years at UCONN? The kid still gets a UCONN diploma. Depending on the career, there may be no difference in pay whatsoever. There will be a tremendous difference in connections and policies, but that may not help certain occupations. Kids worry about what school they're going to when talking to their friends, but in reality I've never shown my diploma to any prospective employer, nor does it hang on the wall in my office. Think about it. ☺

~~~

## Company Directory

Mike = [mike@fiscalwisdom.com](mailto:mike@fiscalwisdom.com), phone extension 202  
Eric = [eric@fiscalwisdom.com](mailto:eric@fiscalwisdom.com), phone extension 208  
Nancy = [nancy@fiscalwisdom.com](mailto:nancy@fiscalwisdom.com), phone extension 201  
Maureen = [maureen@fiscalwisdom.com](mailto:maureen@fiscalwisdom.com), phone ext. 206  
Betsy = [betsy@fiscalwisdom.com](mailto:betsy@fiscalwisdom.com), phone extension 203  
Telephone = (860) 673 1942 or (860) 489 8880 or (800) 843 4513  
Facsimile = (860) 673 5177 or (860) 482 5300

~~~

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.



Call us anytime = (800) 843 4513

Visit us online = 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

