

The USA Is Scared

We just marched pass the birthday of our great country! From 1776 when we declared independence from Great Britain we've grown and grown, become stronger and now lead the world in many areas. We don't lead the world in all areas, but our position on the global stage is unprecedented in history. Why then are U.S. citizens so afraid? My title to this article is *The USA Is Scared* – is this true? It unfortunately seems to be. This is the exact opposite of what we are about and anyone who has served in our military is shrieking from reading this.

Our country as a whole isn't scared, our military isn't scared, our leaders aren't scared, but many of our citizens are scared. Why??? It seems like we're so afraid of everything today including the very same things that years ago we took in stride! If it's going to snow people race to the store but buy milk and eggs as if there will be no more milk or eggs in the future – what a joke! People "need" 4-wheel drive vehicles today for the six days each year snow is an issue. I still drive a rear-wheel drive car and I can go anywhere I want virtually anytime I want. This 4-wheel drive fallacy needs to go away too. Most people who own 4-wheel drive vehicles rarely if ever use the systems, they just pay more to buy it and pay more for the decreased operating efficiency. In this hot summer the kids got out of school early or didn't go at all. When I was a kid we simply went to school but today everyone makes every decision in their lives around fear of a lawsuit. This pendulum goes in both directions and I expect this trend to swing to the other end where personal responsibility is back and enforced.

There is no doubt our politicians' willingness to have the U.S. play the role of global police force over many years has ultimately given the U.S. a bad rap and unfavorable reputation in the eyes of many of our worldly neighbors. This will pass as the new

Continued on page 2, Raging Fear

INSIDE THIS ISSUE

- 2 The Big Squeeze; Raging Fear
- 3 Noteworthy News; Recessions
- 4 \$ Quiz, Gift Card Scams; Government wisdom
- 5 Inspirational quotes, Kids Korner

Sales Bargains and Deals

The marketing departments of the corporate world are absolute geniuses. Whenever the consumer sees one of these words – Sale, Bargain or Deal – they begin to salivate mentally as Pavlov's dogs did physically. The emotional compulsion to buy things, whether you need them or not, just because they're a good value is compelling. Many people today aren't investment-savvy, nor are they saving for a rainy day. In fact most people have been conditioned by their own bad habits and the marketing geniuses to spend, spend spend, and borrow, borrow, borrow--until they can spend or borrow no more.

The immediate reward of good financial stewardship is not tangible. The immediate rewards of consumerism are tangible and pleasurable: it's easy to see how whole generations of people can be manipulated by the marketing geniuses. With tough times coming in real estate and energy prices, those who haven't been good stewards of their resources are going to be learning quickly, or will soon have foreclosure or repo men chasing them! ☹

For those of us who own businesses, we would all like to have these genius marketing guru's on our staff's, but we all know that'll never happen. When you are shopping for something you always want to get the best possible deal. You certainly never want to overpay. The marketing departments of corporations know this so they offer consumers "purchase protection" so if the product is advertised for less anywhere within 30 days you can go get your refund or perhaps get your refund plus 10%. All of these attempts are to get you to be a loyal customer and keep shopping at their stores. The store credit card is the same psychological tool – they'll offer you a savings of 10% or 20% on your purchase upon checkout if you apply for the store card. This does a few things for the store so they can manipulate you and make you feel good about it all at the same time. First it puts you on their mailing list so they can target you with their solicitations both by e-mail and paper. Next it allows them to add your name to their mailing list that they sell for a profit to other companies. Now it also allows them to profit from you in the banking business. Remember the average American carries a \$9,000 credit card

Continued on page 3, What a Deal

administration about to take office works to mend wrongs and patch issues.

But in the grand scheme of things we're blessed with abundant natural resources, transportation ports, amazing landscapes and a wonderful climate. What more could we ask? Our number one asset is our freedom. Our people are free to pursue their dreams, innovate to solve problems and find better ways of doing anything. This sense of adventurism and entrepreneurship allows us to realize the fullest potential our God-given abilities. Our freedom breeds optimism, which is the most powerful force on the planet: once a person decides to do something they'll move heaven and earth to get it done.

Our media does an amazing job of playing on our fears. Fear sells and they are delivering what people want, but why they want this type of information is a mystery to me. We were coming home from our family vacation in Maine Monday night July 6th around 7:00pm and we came upon a horrific car crash. It just happened about 30 cars ahead of us and the ambulance hadn't arrived yet, but traffic was beginning to clog in our south-bound lane. While the police were handling things and waiting for the tow truck and ambulance to arrive traffic in the north-bound lane also became clogged. It was even worse than our lane. Why? Nosey on-lookers parked their cars on the side of the interstate and began taking photos and video of the tragic scene in the south-bound lane.

We are a sick society – why do we fill our minds with bad images, tragedy and grief? How many court shows are on television? Turn those shows off. At the end of the day you can't fix stupid! Police shows, prison shows, COPS, amazing videos – none of this is positive but it's all about the ratings and we're consuming it, so they're going to keep making it. You are what you're exposed to so if you allow yourself to become a magnet for media negativity you'll become a scared lamb running from the wolves of life. We live in fear of our children being abducted by some nut case. Statistically you've got a better chance of getting struck by lightning. Do you worry about that? Our kids don't play in the neighborhoods anymore because the parents fear everything.

It's high time we changed our tunes and got back to reality and fundamentals. Do the right thing and treat others as you wish to be treated. Take care of your neighbor – do you know their names? Many places in this world are scary right now – but the USA isn't one of them. I feel blessed and lucky to live here and I thank God daily for what I have. Most of our problems are nothing compared to what many in the world face daily. We have ample food, housing, shelter, the best medical care the world has to offer, freedom, a voice, the right to bear arms, police firemen that will rescue us from anything for free, even if it's self-induced. I cannot figure out what we're all so afraid of. Whenever there is an issue, there is an opportunity so instead of running scared do something about it and make a positive contribution to the world! The world is a wonderful place with unlimited opportunity, the only thing that can change that is the lens you viewing the world through. ☺☺☺

Unfortunately I'm not talking about a big hug from a loved one or a good friend you haven't seen in a long time. One of those big squeezes is arguably one of the best things in life. This big squeeze I'm referring to is a financial one and will likely be this generation's financial wake up call. Many young people today have never experienced economic difficulty as those who lived through the Great Depression did. Many young people today have no regard for money or good financial stewardship, recklessly living a life of wants, not needs, and doing it all on lots of borrowing. Not that the next few years will be anything remotely close to the Great Depression, but it will be much tougher than it was 5 years ago for those living recklessly. Young people today don't value the dollar and cannot wait for things: they all expect immediate gratification. This needs to change and change right now. There are lessons to be learned by many people today who simply are irresponsible with their money. The housing, mortgage and credit dilemmas we face now are because of this generational mentality. People like you & I couldn't care less about these issues because they don't affect us directly-- it's just media noise. We're in no danger of losing our homes, our cars or our sanity. We've managed along a different path and acted responsibly.

The basic rules of finance are that you save the first money you make to pay yourself first; invest wisely; protect yourself, your income and your assets; and live below your means. If you follow this simple prescription you'll be rewarded by a lifetime of joy, zero financial stress and a luxurious retirement. There is a segment of the population today, mostly younger people known as "Generation X", born between 1965 & 1982. Many people in this segment today have "checkbook syndrome" which causes them to spend every dime they make no matter how high their income goes. The syndrome also causes people to buy more and more stuff, and most stuff has carrying costs such as taxes, insurance, maintenance and repairs. Most of this stuff is completely unnecessary and they clearly don't need it, but they feel an emotional compulsion to buy. Whether it's to keep up with the Joneses or to satisfy an internal itch, they keep on doing it. When times get tough those living with this syndrome lose homes, cars, boats, file for bankruptcy protection and ruin lives around them. If you're living smart when times are tough the only thing that changes is you may save a bit less for a while until your income grows to make up for higher expenses. The current retirees have a much different perspective – they live well below their means, save wisely, keep life simple and enjoy themselves without undue financial stress. I expect the next few years to be tough for many people as the pent up leverage of some irresponsible consumers unwinds and people will learn the hard way. This lesson will be complete with fear and butterflies in many young stomachs. The lessons learned when the butterflies are present are not soon forgotten! There is nothing like living something instead of reading it! ☺☺☺

Noteworthy News! ! !

- Congratulations to Mark & Marie Alana LaChance on the birth of Sebastian Francis LaChance – rugrat # 1! ☺
- Congratulations to Francis & Annette Cassullo on the birth of baby Sebastian Francis (where did they get that middle name? ☺)– grandbaby #1! ☺
- Our condolences to the Batton family on the passing of Sue, a wonderful wife, mother, daughter and friend. The awful loss of a very young soul!
- Congratulations to David MacNiven on his new position at Yale University! ☺
- Congratulations to Michele & Kevin Gaffney on their recent wedding – the beginning of a beautiful life together! ☺
- Congratulations to Chris & Kim Murtaugh on the birth of baby Connor William! Rugrat # 1! ☺
- Congratulations to Antonio Cence on his recent retirement! Time to enjoy those grandbabies now! ☺

~ ~ ~

Recessions

Economists have correctly predicted 32 of the last 6 recessions is how the saying goes. It's true, they're all guesses because they are rearward looking. We may be in one, we may not be, it really doesn't matter. Expansion (economic boom) and contraction (economic contraction or recession) is a normal part of the economic system just like fat is part of a healthy diet. The fat can't be too high, as Morgan Spurlock's documentary movie "Super Size Me" shows. If you eat at McDonalds for every meal for 30 days you'll gain 30 pounds and be very unhealthy. If you eat a healthy diet with some fat you'll be fine for a long healthy life. Recession is required economic ingredient – it needs to be there to balance things out but it can't be the main ingredient or the economy will collapse. Since 1990 we've had two recessions. That's one each decade and very normal. Since 1957 we've had 11 bear markets, defined as the market losing 20% of its value. Each and every time the market rebounded very strongly the following year. In July 2008 all of the pundits are saying we're in a recession and it's the worst since the Great Depression. Don't believe the media's doom and gloom scenario, it's nothing like 1934 as this month's quiz proves! ☺ ☺ ☺

What a Deal *Continued from page 1*

balance and if they pay the minimum payment for a working career the firm issuing the card makes a \$12,000,000 profit – yes that's right, \$12 million – that's a hell of a lot more than they ever would have made on the pair of shoes! Now that you're a "customer" they can play on your emotions by giving you points, tickets, freebies, coupons or some other sort of emotional enticement to tempt you to continue to shop at their store. This is much more compelling and easier than being a good shopper and searching for the best value without regard to loyalty to a firm or store.

Bottom line: don't get the store card, ever. In general you only want to have two or three open lines of trade such as credit cards and get them generic, not from a specialty store. Use cards that have no fees and cash back, I find them to be the most beneficial. If you travel the cards offering travel points have historically been good, but are currently being cut tight as the airlines feel the pain of the high fuel costs.

When shopping you always want whatever it is you're buying at the best possible value, you certainly don't want to pay more. This is why the words sale, bargain and deal are a marketer's dream. There is one exception to the rule – consumers want to pay more for their investments!!!! ☺ Think about this – when investments go up in price the consumer buys more and more and is elated. When they go down in price the consumer wants to sell everything and put the money in a Treasury bond. This is the equivalent of selling things when they're on sale and buying when they're overpriced. Here's what the market has done during the past 11 bear markets – right where we are today – and 1 year later – where we'll be tomorrow!

Date	Months of Bear	% Loss	% gain 1 year later ☺
8/57-12/57	5	15	43.4
1/60-10/60	10	8.4	32.6
1/62-6/62	6	22.3	31.2
2/6-9/66	8	15.6	30.6
12/6-6/70	19	29.1	41.8
1/73-9/74	21	42.7	38.2
1/77-2/78	14	14.2	16.5
12/80-7/82	20	17.2	59.5
9/87-11/87	3	29.6	23.4
6/90-10/90	5	14.7	33.5
4/00-03/03	36	40.0	35.1

Things are on sale right now – it's time to buy! ☺ ☺ ☺



Money Quiz

Last month's quiz was won by Linda St. Pierre. She'll enjoy dinner on us at Chili's. On 3/31/08 4.5% of homes were at least 30 days delinquent vs. 44% in 1934. ☺☺☺

This month's challenge is to tell me what the average mortgage balance is for someone who does not have their home paid off. The winner will enjoy dinner on us at Chili's. BTN 063008:12

~ ~ ~

Gift Cards

Gift cards are perhaps the biggest of all jokes. The biggest gift you're giving is likely to the issuer of the gift card, not to your beloved recipient. Be careful as a consumer when buying anything so you don't get soaked.

Our oldest rugrat, Hannah, recently had her eighth birthday party and had received a few gift cards. Hannah received a \$25 gift card that came with a \$5 "activation fee" provision attached. The benevolent person who gave her this gift of cash was soaked for \$5 just to give the gift. Not only did they get soaked for paying 20% for the gift, but this little doozie of a card carries a monthly service fee and if not used for 12 months simply vanishes in fees

There are several ways around getting soaked by this type of slimy tactic. First, never shop in a hurry. Take your time and think through your purchases, reading the labels of items completely prior to purchase. If you're not careful you'll likely to overlook important binding terms like the activation fee mentioned above. And these items are not refundable or returnable!!! Cup found this out the hard way about a week before Hannah's incident! ☹

Next instead of buying a generic gift card that is good anywhere, buy a store card directly from Wal-Mart, Target, Sears, etc. -- they're free and there are no onerous usage terms or nickel & dime fees. They are not good anywhere, but the receiver will get more for your money and will not get fee'd to death! Lastly just give cash, people can use that anywhere, there are no fees and everyone appreciates a few extra bucks. The gift cards are fun for kids, but they can always trade in their cash for gift cards at whatever store they plan on shopping at anyway! ☺

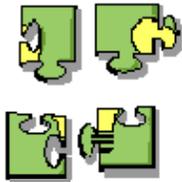
Government Wisdom

That's an oxymoron indeed! Giving young boys access to fast cars and alcohol is the equivalent of giving politicians access to taxpayer money, except the latter is legal. The FHA (Federal Housing Administration) is currently feeling some financial pain as it tries to bail out a few million people out of the mortgages for the overpriced homes they had no business of buying in the first place. The FHA has announced the largest loss in its history in the past few weeks and says the delinquency rate of its mortgage portfolio is now at 12.7%: the mortgage industry in general is at 6.4%. Compare this to 2002 when the FHA had 11.2% delinquents and the industry in general at 5.1%. The government in its infinite lack of wisdom is now pressing on in an attempt to get the rest of us taxpayers to bail out those who bought too much house using foolish mortgage tools. The zero down payment loan is the major culprit because it allows the consumer to have no skin in the game. I stick to the notion that the buyer needs 20-25% down: with that much invested there is exponentially less chance of the buyer getting in over his/her head and less eagerness to simply walk away from their debt obligation.

The FHA is losing most of the money due to "down payment assistance programs" intended to help those with no cash to buy a home. Duh, those with no cash shouldn't be buying homes and have zero incentive to make the deal work when times are tough because they have nothing invested. Lenders were guaranteed payment by the FHA and now that the real estate market is taking a bath the FHA is getting killed. Many banks are getting paid on these bad loans so the sub-prime fiasco has a bright side for lenders, not insurers. Congress is now contemplating raising the FHA limit to \$729,000 and going to 125% of equity. My six year old daughter knows this is nonsense so why is this even a conversation in the halls of Congress? The FHA's mission is to help low and moderate income households become homeowners. Encouraging low and moderate income households to buy \$700,000 homes is what brought the housing and credit mess to us today: do we really want to stoke the fire? Another provision of the proposed legislation will allow the FHA to take on more risky sub-prime loans from private banks. If this bill passes all of us taxpayers will bail out the real estate and mortgage fools today and the FHA tomorrow – this is foolish and unaffordable. Call your political representatives and tell them this is nuts and to vote against it. ☹

Inspirational Quotes

- Do not let what you cannot do interfere with what you can do, *John Wooden*
- Thinking is one thing no one has ever been able to tax, *Charles Kettering*
- Education is meant to replace an empty mind with an open one, *author unknown*
- To catch a husband is an art; to hold him is a job, *Simone de Beauvoir*
- Always try for that which you think you can never get, *Deep Sharma*



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

Kids Korner

Kids can never learn too early about money. My oldest daughter Hannah recently bought a dog for her American Doll Kit and it cost her \$18 of her savings. She was expecting a big dog like at the carnival and upon arrival, she found a tiny dog the size of a hot dog bun. Disappointed at her overpriced purchase, the next two words out of her mouth were "Rip off!" That's priceless! If you're looking for a camp for your rugrats this summer, consider a financial camp – here are a few and they'll change the kids lives forever, unfortunately none are close!

- Camp Millionaire - www.creativewealthintl.org/campmillionaire.php
- Young Biz Smart Money Camp - www.youngbiz.com/Florida/index.html
- Camp Challenge www.campertoma.org/camp/challenge.shtml
- Young Americans For Financial Education

~ ~ ~

Company Directory

- Mike = mike@fiscalwisdom.com, phone extension 202
- Eric = eric@fiscalwisdom.com, phone extension 208
- Nancy = nancy@fiscalwisdom.com, phone extension 201
- Maureen = maureen@fiscalwisdom.com, phone ext. 206
- Betsy = betsy@fiscalwisdom.com, phone extension 203
- Telephone = (860) 673 1942, (860) 489 8880, (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 FINRA/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.

Visit us online = www.fiscalwisdom.com

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
- Retirement Income Plans
- 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 & risk analysis
- Estate & Income Tax Planning
- Distribution of Assets – IRA, 401(k), etc.
- Retirement Income–Guaranteed or variable
- Income Replacement Techniques
- Widow/Widower Assistance
- Nursing Home Asset Protection Strategies
- Long Term Care Issues & Strategies
- Key employee retention strategies
- 401(k) & Retirement Plan Rollovers
- Philanthropic gifting & charitable planning
- Trust, inheritance and foundation planning

Mike Chadwick's Money Matters

15 New Britain Avenue
Unionville, CT 06085
(860) 673 1942

199 Main Street
Torrington, CT 06790
(860) 489 8880

