

Interesting Tidbits

This is a compilation of things I've run across in various publications, emails, etc. that I would like to share with you to make you think and smile!

- In the 1400's a law was set forth in England that allowed a man to beat his wife with a stick no thicker than his thumb. Hence, the rule of thumb. (that's awful)
- A new game was invented in Scotland many years ago, it was rules for Gentlemen Only Ladies Forbidden – thus the word GOLF.
- The first couple to be shown in bed together on TV was Fred & Wilma Flintstone!
- Every day more money is printed for Monopoly than the US Treasury
- Coca-Cola was originally green
- The state with the highest % of people who walk to work = Alaska.
- The % of Africa that is wilderness = 28% and the % of North America that is wilderness = 38%
- The cost of raising a medium-sized dog to age 11 = \$16,400
- The average number of people airborne over the USA in any given hour = 61,000
- Always keep your words soft and sweet, just in case you have to eat them.
- If you lend someone \$20 and never see that person again, it was probably worth it! 😊

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Viagra for Headaches

All the millions of dollars the drug companies have put into marketing the little blue pill leads most to believe Viagra simply is not appropriate for dealing with headaches. This is a very true thought process and you would think the folks running the country would think the same way. Why would Congress or top level politicians not treat an ailment with the appropriate tool, why on earth would they use the wrong drug to treat an ailment? Over the weekend of September 5th the U.S. Government took over Fannie Mae & Freddie Mac. Fannie & Freddie were both quasi public entities in that they had issued common & preferred stock, shareholders owned those shares of stock and simultaneously the Government quasi guaranteed the operations and holdings of each company. The idea was that Fannie & Freddie were "too large to fail" is obviously not the case, as this government takeover essentially admits they both failed. The concept that something is "too big to fail" is the second four most dangerous words in investing – the first four are "this time is different." With the takeover the taxpayers assume direct responsibility for the firms that are responsible for 75% of US mortgages. This a very different situation from the quasi guaranteed status of the mortgage giants just a few days prior.

Fannie & Freddie were created by the government decades ago to boost homeownership. The companies, now obviously known to be flawed business models, are to be taken into receivership and put under the control of the Federal Housing Finance Agency. The firms will have old management ousted, new management installed and hopefully come up with a new business model and perhaps altogether new businesses to reintroduce to the world sometime soon. The stockholders of Fannie & Freddie have already endured much pain, as they've both lost over 90% of their values in the past year. The common stock prices will likely deteriorate more as the government has diluted the ownership of the companies (issued more shares of stock or taken rights of ownership in the companies). The bondholders will be protected (hats off to PIMCO & Bill Gross, he's recently bought billions of these bonds and they'll likely see a big surge in price) and the preferred shareholders will also see a major deterioration of

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- It may be that your sole purpose in life is simply to be kind to others!
- You may be only one person in the world, but you may also be the world to one person.
- Some mistakes are too much fun to only make once! ☺
- A truly happy person is one who can enjoy the scenery on a detour!
- We could all learn a lot from crayons. Some are sharp, some are pretty and some are dull. Some have weird names, and all are different colors, but they quite successfully live in the same box.

Newspaper Demographics:

The Wall Street Journal is read by the people who run the country.

The Washington Post is read by those people who think they run the country

The New York Times is read by people who think they should run the country and who are very good at crossword puzzles.

The USA Today is read by people who think they ought to run the country but don't really understand The New York times. They do, however, like their statistics shown in pie charts.

The Los Angeles Times is read by people who wouldn't mind running the country, if they could find the time, and if they didn't have to leave Southern California to do it.

The Boston Globe is read by people whose parents used to run the country and did a poor job if, thank you very much.

The New York Daily News is read by people who aren't too sure who's running the country and don't really care as long as they can get a seat on the train.

The New York Post is read by people who don't care who is running the country as long as they do something really scandalous, preferable while intoxicated.

The Miami Herald is read by people who are running another country but need the baseball scores

The San Francisco Chronicle is read by people who aren't sure if there is a country or that anyone is running it; but if so, they oppose all that they stand for. There are occasional exceptions if the leaders are handicapped minority feminist atheist dwarfs who also happen to be illegal aliens from any other country, or galaxy, provided of course, that they are not Republicans.

The National Enquirer is read by people trapped in line at the grocery store.

The Milwaukee Sentinel is read by people who have recently caught a fish and need something in which to wrap it. ☺

The Green Movement

As tree huggers and other environmentalists argue we're destroying the planet, a theme that we've heard many times before may have some credibility this time around. Global warming and Al Gore may have a leg to stand on as the glaciers are clearly melting and climate is indeed changing. The real issue now is human activity the cause of this mayhem? I tend to think it is, at least partially. Regardless of your opinion on the cause, there is no debating the issues at hand and the green movement seems to be gaining some serious traction today. The green approach is so popular today it has its own television channel, websites, blogs, magazines and countless dedicated television programs. There are many who go overboard in the green approach, refusing to upgrade their homes because of fear something will end up in a landfill. There are even more Americans who just don't care and are gluttons as consumers, simply buying more and more without thinking about how to reduce, reuse or recycle. There are many things all of us can do to be good stewards of the planets resources and help all of the planets occupants simultaneously.

Here are some simple ideas that don't cost anything and will help everyone on the planet in a big way. Recycling should be the law everywhere, and for businesses too. Consumers are supposed to recycle but when I drive to and from work on Tuesdays I'd say at best 60% of the homes recycle. Businesses don't have to recycle by law; I must schlep my stuff from the office to home to get it recycled. We also have great local people around us who work in the building who bring some of our stuff to their homes to recycle. On the recycling front stop using plastic water bottles, but if you must use them please recycle them. Anything made of paper or cardboard will be picked up with your trash, please recycle it. The plastic and metal that most food stuffs come in are mostly recyclable. Metals have real value today in scrap and salvage yards. The old tractors in the neighbor's yard are now worth real money as scrap metal. You can bring your scrap metal to salvage yards and get money for it, or recycle it and your town will get money for it – either way recycle it. Food scraps, lawn waste, leaves, etc all make wonderful compost. Why put this stuff in a landfill? If you're an entrepreneur, there are now many ways to make money on stuff. Trash to energy plants are a reality - they get paid to take the trash, recycle what they can, sell the recyclables, incinerate what they cannot, generate free electricity and sell the excess electricity back to the local utility. Landfills are massive storehouses of methane gas, and are now being tapped for this resource and of course making a profit at the same time. Many recycled products are now showing up in new products – glass countertops made from recycled pieces of other glass, tires, boxes, just about anything made from metal, asphalt, park benches, building materials etc. Can the entrepreneur in you come up with a new way to reuse, reduce or recycle? If so we'd like to hear about what you're doing to help the planet! ☺ Call or email us with your ideas.

Noteworthy News! ! !

- Congratulations to Benjamin and Theresa Camerota on their recent wedding – the beginning of a beautiful life together! ☺
- Congratulations to Mike & Ann Garrity on the birth of rugrat # 3, Cooper Matthew. They must now play zone defense with the babies, no more one on one. ☺
- Congratulations to Bill & Catherine Kloppenburg on their 50th wedding anniversary! This is an amazing event – the world would be a better place if more people accomplished this wonderful feat!
- Congratulations to Lee Rho on the birth of her first grandbaby, Alex Peter Rho! Hopefully the first of many to come! ☺

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## Retirement Penalty

If you retire and collect Social Security at age 62 or anytime before “full retirement age” you may be penalized if you continue to work. Full retirement age is somewhere between 65 & 67 depending upon when you were born. In 2008 if you earn more than \$13,560 you will lose \$1.00 in Social Security benefits for every \$2.00 you earn above \$13,560. This is a crazy system that penalizes our retirees, but it is one you must know exists and plan accordingly.

Not all income counts against this earnings penalty limit. The only income that counts is “earned income” which is typically W-2 income or income from self-employment. If you have income coming in from other sources, such as rentals, dividends, capital gains, pension plans, IRA’s, etc. none of that will count against you in this calculation. If you’re self-employed a pension in your business may help you bring your income below the level and avoid the penalties.

Also if you’re self-employed and married it may make sense to hire your spouse to do work for you and the family can keep the income and possibly avoid the penalty.

Where there is a will, there is a way, just ensure you know the rules of the game! ☺

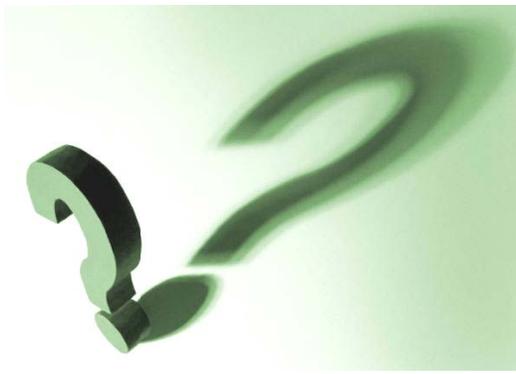
value, although likely less than their common shareholder cousins.

The boards of directors of both companies will be replaced along with the top management teams. Dividends on common and preferred stock at both firms will be eliminated. Under the conservatorship of the Federal Housing Finance Agency, the shares of both firms will continue to trade on the New York Stock Exchange, likely as penny stocks. The idea right now is to slowly reduce the amount of loans the companies are carrying on their balance sheets. Fannie currently carries \$758 Billion of mortgages and Freddie carries \$798 Billion. The goal will be to slowly bring down the amount each firm carries in its mortgage portfolio to a maximum of \$250 Billion over the coming years.

The cause of the problem facing the mortgage giants today has been the relaxed underwriting standards of recent years. These relaxed standards were allowing people to buy homes with little or no money down, complicated escalating priced loans, teaser interest rates that will go up and consumers likely cannot afford, no income documentation and outrageously valued homes.

The root of the problem is the government incentivizing homeownership. The main idea here is that a home is a good investment. For all of us in finance, we realize that a home is not an investment, it’s a lifestyle decision. I own a home and don’t advocate not owning one, just understand that you’re not going to make a lot of money on the transaction. It’s a place to live, it provides a certain level of control and lifestyle, period. The premise of homeownership for everyone needs to go away right now, today. There is no way everyone can afford a home and live the lifestyle people want to live today – it’s just too expensive for most consumers. There is a fairly large percentage of the population that simply cannot afford to own a home and people need to understand and swallow that fact. Home prices are still outrageous and need to come down, a lot. Hot beds such as California and Florida have already seen drops of 50 & 60% in home values. In New England we haven’t seen much, but it’ll come and it’ll come in a big way. Home prices around here have tripled in the past 15 years while income has grown some, but certainly not by threefold.

Equilibrium in home prices and stopping the bleeding of home values is what is driving the politics today. No matter what is done with Fannie and Freddie, home prices will fall. The government of the United States cannot dictate prices, of anything. China can, but the United States cannot. I agree that the Government is doing the right thing with taking over Fannie & Freddie. Rather than using taxpayer money to rebuild the entire financial system, the government should begin educating consumers that homeownership isn’t for everyone and financial education is. Viagra won’t fix your headache either! ☺



## Money Quiz

Congratulations to Scott Fellows, Ed.D. on winning last month's quiz. The average Chinese farm tills just 1.6 acres compared to the average American farm tilling 441. ☺

This month's challenge is to tell me what the average inflation rate has been in the world, exclusive of the USA, for the past decade. It's been 2.6% here. The winner will have lunch on us at Chili's. ☺

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## Bank Deposit Standards

Banks are getting a lot of headlines today, and not all of the headlines are good headlines, in fact they're mostly bad. With the news that so many banks are in trouble and failing it's hard to see any hope in the banking and credit systems. The FDIC (Federal Deposit Insurance Corporation) is estimating that around 117 U.S. banks will fail this year. With only 10 failed so far, it's going to be a busy last few months of the year with bank failures.

As with any set of bad news, there is good news to be had within the frenzy. Typically banks insure deposits up to \$100,000 per registration. Some people open many account at various banks to ensure all of their money is insured. We've been able to multiply that insurance protection without limitations by buying CD's within brokerage accounts from multiple banks for years.

Massachusetts has set a new standard on deposits that are insured and they've done it without the help of the FDIC. In the 1930's Massachusetts state banks opted out of FDIC protection and have created their own insurance entities – The Depositors Insurance Fund for savings banks and the Share Insurance Fund for cooperative banks. These insurance entities will allow protection of your accounts at banks without limitation to size or account registration. The coverage also applies to consumers who live out of state but bank within the state of Massachusetts. State banks later added FDIC insurance and now the state insurance funds cover whatever FDIC does not. Credit Unions are also protected through The Massachusetts Credit Union Share Insurance Corp. Massachusetts is likely the only state offering unlimited protection of bank accounts. Since 1934, no customer has ever lost a nickel in a bank account. You should never keep hundreds of thousands of dollars in banks, but if you do, you can now protect it all! ☺

## Infidelity

Marriage success rates in our great nation are horrible. Half of all marriages fail when just a generation ago most marriages lasted "until death do us part." There are an endless number of reasons that marriages fail: a spouse has an affair; a spouse loses trust in their partner; a difference of opinion (they call these irreconcilable differences and is the #1 reason for divorce today); financial issues, etc. I'm willing to bet financial issues play a part in most divorce situations. If a couple is not on the same page financially it is very difficult to find middle ground and do well together over the long haul. We see couples going through divorce often and it is always a painful process. Many people assume divorce is the result of a steamy romantic or sexual affair. Sometimes that is the case, but not most often. We find that financial issues are the dominant cause of the breakdown and people simply cannot get on the same page in regard to important financial matters.

The infidelity most people think of is an affair or some other type of cheating. The infidelity that exists many times is financial. Financial infidelity is best explained by Bonnie Weil, who recently conducted an online survey on the subject and it validates what we see often. Financial infidelity is one spouse secretly purchasing things without the other spouse knowing about it, often because they are mad at one another for whatever reason. If the husband keeps too tight of reins on the family finances, the wife may buy jewelry behind his back. If the wife keeps too tight of reins, the husband may extend a business trip and make a mini golf outing in front of or behind the business meetings.

Bonnie Weil comically refers to these secret purchases as POPs or "pissed off purchases." She says the average couple makes four POPs each year to the tune of \$486 each. There are geographic differences here too, just like every other aspect of economics. If you live in Manhattan, the couples average eight POPs each year to the tune of \$1,000 each. Holy cow, that's a lot of money that could have gone towards working out the differences!

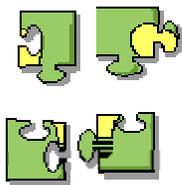
A recent Harris poll also reveals the following amazing financial tidbits with respect to relationships:

- 40% of adults in relationships admitted to lying to their partner about spending habits.
- 82% said they hid purchases from their partner
- 57% of couples felt money is used as a means to control the relationship.

I hope things in your world are good and each partner is on the same page financially. It is much easier to work things out and find middle ground rather than working behind each other's backs and causing severe damage to the relationship! ☺

## Inspirational Quotes

- Love and work are the cornerstone of our humanness, *Sigmund Freud*
- The future belongs to those who believe in the beauty of their dreams, *Eleanor Roosevelt*
- Truth has no special time of its own. Its hour is now – always, *Albert Schweitzer*
- The more you know the less you need to say, *Jim Rohn*
- A word to the wise ain't necessary – it's the stupid ones that need the advice, *Bill Cosby*



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

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## Kids Korner

Back to school is a great time to teach kids money lessons. Use this time to give kids the ability to make their own decisions. Rather than just going and getting them what they need; clothes, books, backpack, pens, pencils, etc. give them a budget and drop them off at the store. They should be able to work out what to buy and prioritize. This is a mini lesson of life and they should be responsible enough to get it done. It must be age appropriate – kids in elementary school should get a budget per category while older kids in middle and high school should be able to complete the whole task without any hand holding after the rules have been explained. The key to success with this is that if the kids don't do a good job with their choices, don't bail them out. Our society has a bailout mentality and it defeats lessons – stick to your guns! ☺

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## 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, (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.

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## Mike Chadwick's Money Matters

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

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

