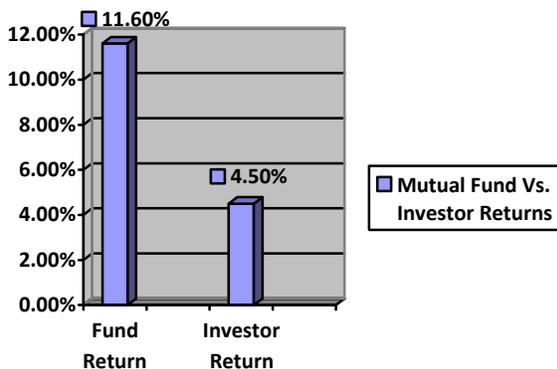


Behavior Drives Returns

During anxious and painful periods in the investment markets investor behavior will be the main driver behind a person's success or failure in building long-term wealth. Let's face it, today's environment is clearly both painful and anxious. When faced with such periods, it can be quite beneficial to look at things logically and not emotionally and realize that amazing opportunities exist today to truly build wealth. There is no question that the past year and especially the past few months have been painful as we've all seen our account values go down and our wealth seemingly evaporate as we watch. It's also difficult that it seems as though things are out of our control.

Although market gyrations are clearly out of our control, our *reaction* to these gyrations is completely within our control. Here is a chart showing how the average stock fund has performed from 1988-2007 vs. how the average investor in stock funds has performed. It's amazing to see these differences!



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Silver Rebounds

Kobe Bryant, LeBron James & Dwayne Wade are all great at both making baskets and getting rebounds on the basketball court. We're all capable of amazing rebounds in life – rebounding from tragedy, illness, accident, problems, etc. The financial world is no exception and the rebounds I'm referring to here are not of a basketball nature but an economic nature. We're likely at or very near the bottom of a stock market crash that has been acute and especially painful, but the good news is the average rebound from such a crash is truly amazing and profitable.

The silver piece of this idea is the silver linings – although it seems like there is nothing but bad news out there, that clearly isn't the case. We've got a lot of things going for us that will contribute to this rebound when it happens, if it isn't already. ☺ Let's look at the good news for a change to keep things in perspective. This current panic attack gripping people will not last forever, the economy will not stop spinning and trade will not cease. Businesses and governments will continue to operate and innovation and education will continue to take place. It's just a matter of time before people get their wits about them and begin operating more intellectually and less emotionally. Volatility is opportunity! People only remember things have been volatile lately and that scares them, but of the past few months where we've seen 7 crazy trading days where there has been a 400+/- point stock market movement in one day, 4 of them were positive days! Volatility also creates opportunity, which is what we're working diligently to find and to take advantage of today for big gains tomorrow. Sentiment is painful today, but that counter indicator really indicates a bright future is ahead in the short term. We've seen sentiment lately at the fourth lowest level on record! The good news is that following the three prior bad readings going back over the past few decades, the market was up 29%, 27% & 20% one year down the road, even though things "seemed" really bad at the time. I don't know about you, but 20% – 29% return in twelve months is awesome and that's likely moving forward once the rebound begins. There is likely a lot of good to come from the current misery. The buying activity we've been seeing from corporate insiders is higher than ever. If a company's executives, who have a better idea of a firm's future

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As you can see, the average stock fund returned 11.6% for the 20 year period from 1988 – 2007 but the average stock fund investor realized a return of only 4.5%. People always ask me “Why?!” and the answer is intellectually simple but emotionally complicated. Here is the bottom line. When it’s a great time to be an investor, like today, most people are so fearful they can’t do it so they sell investments now, when they’re low. We all hear the successful prescription for investing is to buy low and sell high. Today’s environment is what buying low feels like, but right now we have more sellers than buyers, hence market prices are going down. It’s hard to buy things that are falling in value and people feel that they’ll fall to zero. That’s not possible with mutual funds but it’s certainly possible with stocks and we’ve seen many of them melt down this year. This craziness simply adds to peoples fears, which takeover their behavior and they begin to act within a psychology of fear. This is why the markets are not efficient as so many would lead you to believe they are. If the markets were efficient in the past few months the only firms that would have lost value were those involved in finance, mortgages, home building etc. Every sector of finance and every sector of the world has been hammered in the past few months including municipal bonds. We had a period where municipal bonds were down 20% in days. This makes no sense, municipalities will continue to pay their interest and retire their debt even if financial firms have too much leverage. This also creates opportunities to take advantage of if you’re not bound by fear.

Back to what “feels” good. Many people are concerned today, and justifiably so. The knee jerk reaction is to take money out of the markets when they’re going down and then re-enter them when they’re “safe.” This is as safe as markets get today, when they’ve just been clobbered and beaten to a pulp, they’re ultra safe. It’s hard to see it as safe as they seem volatile and ugly, but they’re actually at the safest level they get to in times like today. When the markets seem safe again, they’ll have recovered most or all of their prior losses and that’s exactly when the average investor gets back in, after missing the big gains. This is why people only return 4.5% on average when they own investments earning 11.6% on average over a 20 year time horizon.

Emotions wreak havoc on an individuals ability to build long term wealth because in these environments people are more likely to sell than buy, when they should be buying. People often think of markets as being safe when they’re really high and of being risky when they’re really low. This is the exact opposite of the reality so it’s imperative that our behavior reflect this fact. Getting out today is suicide, you should be getting in today and if you’re already in, staying in and adding more if you have it to add. If you get out, when will you get back in? Timing the market requires two perfect decisions - when to get out and when to get back in. The reality is nobody knows the best day, week or month so staying the course is the best decision. Market crises are inevitable, painful and surmountable. Individuals who cannot master their emotions are ill suited to profit from the investment process. ☺

Saving Money

You can never save too much money. Everyone loves to get a deal and people often buy things they don’t need simply because they’re getting a deal on these things. This is why storage is such a big business in America – people have so many bargains they don’t have the space to store them, so they rent space! ☺

There are a plethora of ways to save money today in America. Most of us live in a wants world, not a needs world so the obvious savings would be eliminating some of the wants to ease cash flow needs. After the first round of easy savings we’re now looking at needs – we must have food, shelter, clothing, transportation, heat, etc. so how do we save a few bucks on those things. Old school methods work well and we need to relearn how to save. Coupons are still big savings tools, even though you may not want to commit the twenty minutes or so it takes to organize them, think of it as extra income and that time is well spent. Today you can get coupons online too, here are a few great sites for doing just that: www.dealcatcher.com, www.coupon.com and www.mycoupons.com are all good sites. Be wary of sites that require you to download special software to get coupons, they may contain evil computer virus’ so stay away. You can also go directly to the manufacturers websites, such as www.kellogs.com/value for cereal coupons. All of us with rugrats know how much cereal costs and how much of two little girls can consume! I feel for deeply for those with little boys, they can out eat girls tenfold and I’m feeling the pain of girls!

Another way to save money is when shopping online use retailers discount codes at the checkout. Most retails at the checkout space have a spot to type in promotional codes, and for those with the secret codes, you can often save substantially on the purchase you’re about to make. The best sites to find virtually any websites coupon codes are the following: www.retailmenot.com, www.currentcodes.com and www.keycode.com.

Many purveyors of everything today are also offering rebates. I’m not a huge fan of the rebate simply because of what they make you go through to get it, and retailers often will reject the rebate if any of their many silly criteria aren’t met, but there are savings to be had in rebates by chasing it down and cashing in.

You can shop online at www.fatwallet.com and get a rebate for virtually every purchase you make on their site, even as they direct you to other sites to shop. It’s still a rebate, so don’t expect to get the loot soon, it’ll take a month or so to get your money from the service. ☺

Noteworthy News! ! !

- Congratulations to Kim Hartwell on her new position as a director at CIGNA! ☺
- Our condolences to the Redente family on the passing of David's beloved wife JoAnne, a wonderful person, wife, mother, grandmother, daughter and friend.
- Our condolences to the Munill family on the passing of Herman's beloved mother, a wonderful person, wife, mother, daughter, grandmother and friend.
- Congratulations to Eleni Saltourides & Stavros Rountos on their recent marriage. The beginning of a beautiful life together! ☺
- Congratulations to Wilson Vientos on his new job at VA CT Healthcare! ☺
- Our Condolences to Christine Skutt on the passing of her beloved father, Peter Cifaldi, a wonderful person, father, husband and friend.

Miserly Misery

There was a man who worked all of his life and saved all of his money. He was a real miser when it came to his money. He loved money more than just about anything, and just before he died, he said to his wife, "Now listen, when I die, I want you to take all my money and place it in the casket with me. I want to take my money to the afterlife." So he got his wife to promise him with all her heart that when he died, she would put all the money in the casket with him.

Well, one day he died. He was stretched out in the casket, the wife was sitting there in black next to her closest friend. When they finished the ceremony, just before the undertakers got ready to close the casket, the wife said "Wait just a minute!"

She had a shoe box with her, she came over with the box and placed it in the casket. Then the undertakers locked the casket down and rolled it away. Her friend said, "I hope you weren't crazy enough to put all that money in the casket."

"Yes," the wife said, "I promised. I'm a good Christian, I can't lie. I promised him that I was going to put that money in that casket with him." "You mean to tell me you put every cent of his money in the casket with him?" "I sure did. I got it all together, put it into my account and I wrote him a check."

I don't care who you are, that's funny! ☺

Silver Rebounds Continued from page 1

prospects than anyone outside the firm, are using today's artificially depressed prices to accumulate additional shares of stock that they already own most of their net worth in, at triple the normal level, should speak volumes for what future prospects actually have in store for us who don't have the inside track. It's typical for insiders to know of a firm's future potential long before the public does, but it's illegal for those people to act on "insider information" or material non public data before it's disseminated to the public. It's not illegal for people to buy shares of a firm they work for, and with many ranks of management and directors buying heavily into many companies today, it looks like we're sitting on quite the opportunity right now.

Commodity prices have tumbled. The price of a barrel of oil has gone from \$147 to under \$60 in just a few months. The price to fill your gas tank or your oil tank is half of what it was just a few months ago. Other commodities such as aluminum and copper have lost most of their value in the past few months. Fertilizer has tumbled over 50% in just months. Why is it that when prices go up the news is all over it, but when prices go down they do so in secrecy? The same is true for our investments but in reverse – when the prices go down it's everywhere but when they go up it's a non-issue? ☺ This is great news making the inflation concern everyone seemed to worry about just this summer a moot point. It's also great news that equilibrium is close if not here and we can begin rebuilding.

Prices of things – everything from businesses to commodities to real estate fluctuate daily. The pricing pendulum swings in both directions but it typically doesn't swing quite so fast as it has lately. We've seen massive swings both up and down lately in virtually everything. This craziness has the effect of cleansing the ills from an economic system just like in nature – only the strong survive. In business we'll see the same thing and we've witnessed many of the weak die an ugly death lately. We'll see more weak die but we'll also see more of the strong stand out and begin to dominate by taking advantage of the weaker competitors. We clearly had too much debt in the financial system, which is currently being de-leveraged out of the system. The financial markets were too opaque in certain areas such as credit default swaps and corporate bond transactions, but restructuring is underway which is creating new and open markets that will function openly with proper supervision. Real estate and commodity prices were totally out of control and never should have reached such absurd levels, but now they're beginning to make sense again. This rebounding action of the global economy will cleanse the system of excess.

The cleansing process is a painful one, but a necessary one and we'll all be better off as a result of it. ☺



Money Quiz

Congratulations to Linda St. Pierre on winning last month's quiz. 44% of workers between 58 & 62 are employed by the same employer as when they were 50. ☺

This month's challenge is to tell me what green fuel alone has the potential to make us an oil independent nation - auto, fuel, heating and energy sectors. The winner will have lunch on us at Chili's.

It's Different This Time

These are the four most dangerous words in the investment world and some people are beginning to believe in them now. Don't do it, it's not different this time, and it never is. People are concerned that we've never had a credit crunch, a lack of global confidence, a housing collapse, etc. We have had this scene before, but with different actors. Let's look at the Asian financial crisis of the 1990's. It's so similar to today it's eerie. Here are the news headlines about the Asian financial crisis, all from 1997 & 1998.

Despite a World Class Economy A Nation's Shares Decline; Debt and Corruption Take a Toll on South Korea as Growth Slows; Government Extends Rescue to Korea First Bank; End of the "Asian Miracle"; South Korea's Economic Crisis is Set to Get Worse; South Korea Yields to Bailout; Seoul Crisis Worsens as More Banks Close; One Korean Certainty: No More Business as Usual; Grim Assessment by UN of Asia Crisis; For Decades Easy Money Fueled Big Business in Asia, Now Banks are Sinking and a Huge Bill is Coming Due; Asian Turmoil Strikes South Korea; Stocks Log Biggest One Day Drop: Tokyo, Hong Kong Also Hit.

You could just change the names and dates and this is exactly what we've all read about in the past sixty days. The good news now, after the meltdown happened the main Korean market rebounded with a 104% gain from Oct 8th – Dec 31st 1998. The main Korean index is similar to ours, full of banks, utilities, retailers, manufacturers, consumer goods producers, etc. That's a real rebound and in the coming months we'll soon see one too, maybe not that big, but we'll see one. Nobody knows when exactly it'll happen or to what degree, but we all know it's coming. Don't sell today unless you're forced to. If you have cash, put it to work by buying what the forced sellers and their sympathizers are selling today. This asset sale will not last forever, and it's not different this time. ! ☺ ☺ ☺

Liquidation Sale

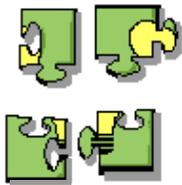
When a store goes out of business and liquidates its contents, people flock to the store to get a great value on the things that are to be liquidated. This is a very sad event for the seller, but a big benefit to the buyers because they get to legally steal things at prices that should be illegal! The excitement among buyers is clearly contagious. The knowledgeable shoppers get all wound up about buying quality items at tag sale prices. Who wouldn't get excited about such a system in a world where most things seem so over-priced.

We've had instances in the past few months where I could buy brand new cars for clients at prices lower than I could buy them a used car. I've never seen this before, but I love it and wish it would last. Unfortunately, it will not so we must enjoy such opportunities now. Liquidation sales are typically cash only, no credit is extended as the business won't be around for more than a few days or weeks. If vehicles can be had at liquidation prices would that motivate us to sell our vehicles even though we paid more for them when we bought them? Would foreclosures in our neighborhood motivate us to sell our home even though we paid twice the price of the guy who just bought a foreclosure next door? Generally a liquidation sale doesn't force us to sell the items we own that we paid more for when we bought them. On the contrary it motivates us to buy more of the item being liquidated if we could use it at some point, would have bought it anyway at a higher price and have the money to buy it. This is all perfectly logical thinking and virtually universally agreed upon across the planet.

In recent weeks and months we've observed many people behaving exactly the opposite way – not buying big in a liquidation sale but actually selling their own things that are currently being liquidated that they paid more for in the past. This is only happening in one specific area of our lives – investments. People are liquidating investments because they've fallen victim to the selling frenzy and are selling their assets off at fire sale prices instead of looking for bargains to buy. Liquidation sales of financial assets are coming from all sections of people – average investors, mutual funds, hedge funds, pensions, endowments, etc. These holders are either nervous, going out of business due to excessive debt, forced to satisfy customer demands for cash or forced to sell because of margin, loan or collateral calls. Regardless of the reasons for the sales, they're everywhere. A lot of firms that I respected highly I do no more after seeing their behavior lately. We're currently living in a liquidation sale of financial assets and we're buying like mad. I'm working diligently sifting through the liquidation sale looking for the best opportunities to buy world class businesses at tag sale prices. ☺ ☺

Inspirational Quotes

- *Those who stand for nothing fall for anything,* Alexander Hamilton
- *The future has a way of arriving unannounced,* George Will
- *Better a witty fool than a foolish wit,* William Shakespeare
- *There are never enough "I Love You's",* Lenny Bruce
- *I love to go to Washington, if only to be near my money,* Bob Hope



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

Kids Korner

The fear we hold for our children today is nuts. You see crazy stories about some nutcase abducting a child and we keep ours in a virtual prison, fearing the worst. The kids are too overseen! They need time and space to make decisions, to learn how to deal with situations, to build street smarts.

Virtually gone are the days where kids can just play in the neighborhood until dark when a parent calls them home for dinner. I try to take my rugrats to events in cities just to get them used to dealing with life outside of Harwinton (Vanilla world) where they clearly are book brilliant but street smart failures.

A journalist recently let her 9 year old come home via the subway alone. That's a bit too much to ask for most people today, but some space and some freedom to learn is indeed a good thing! ☺ ☺ ☺

~ ~ ~

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