

## The China Conundrum

China has a land mass roughly equal to that of the United States. Only Russia and Canada have bigger slices of the globe. China has roughly five times the number of people than in the United States; it's got 138.6 people per square km, where we only have 31.6 people per square km. You thought we had a lot of traffic and congested neighborhoods!

China is a country where the dictators have managed to combine ultimate state control with an entrepreneurial type business climate. China is currently emerging into a global power as it's building many of its truly massive cities into ultra modern global places to live work and play. China has a big societal divide; those who live and work in the ultra modern infrastructure driven cities and those who work and live on the farms and off the land. Those in cities are striving for an American type lifestyle while those in the countryside still live as many did centuries ago, very very simply. The industrial revolution has yet to hit the countryside, and there is no guarantee it ever will.

For decades people have the country to chase big business and income opportunities in the cities. That trend is beginning to end, and even reverse itself. China's economy is driven by two key components, exports and infrastructure. Last year 44% of China's economy was driven by government funded infrastructure spending. Most of that infrastructure spending was funded by bank loans and most banks are state owned in China. Neither of these trends is even close to sustainable for any amount of time. The export culture of China was always driven by low prices. Wages there have historically been the one of the lowest in the

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## What Can You Do?

I ask the rugrats this question all the time. They're automatic response is "anything in the whole world." A gift for them is that this attitude continues with them throughout their entire lives, enabling them to set their sights high and do whatever they set their mind to. This is how I was raised so I know no other way to hopefully give this gift of attitude to my children. It saddens me to hear so many people tell me about all of the reasons they cannot do something. We're only human of course, but if you think you cannot do it you'll certainly never do it. What you believe is your reality and that is shaped by your experiences in life. It's too bad all children aren't given an equal shot at becoming self actualized in life. I don't care what it is, just go for it. Eleanor Roosevelt once said "you must do what you think you cannot do."

As a child my mother and father were confident in me to do anything I wanted to do. They never talked me out of anything; they encouraged me to find a way on my own no matter how insane or off the wall my ideas seemed. My mother especially would spend hours talking about events in her life where she made decisions that were not well thought out that she'd do very differently if given the opportunity to relive those events. Sometimes as a young child I thought my mother was nuts, but she just stood by me, encouraged me and let me find my own way. She wasn't pushy or demanding as many parents are, trying to relive their lives failures through their children; she was just a constant rock of encouragement. As I look back, that was a gift from her and from God because it has given me the magical gift of attitude. My hope is that I can do a fraction of the job my mother did with the rugrats in this particular area.

Attitude is everything in life and you cannot minimize the impact it has on virtually every aspect of our lives. Many people are self limiting; before they even attempt a task they've decided they're incapable of doing. They've failed before they've even begun so even if they are capable the self imposed limits will prove themselves true. I cannot deal with that perspective or attitude; in fact I embrace almost the polar opposite viewpoint. As soon as someone says something cannot be done, my mind immediately begins formulating how that very thing can be accomplished. It can be done, I know it can, and if duly important to me I'll make it happen. If it's not that important I think through the solution and move on to the next challenge. This happens at every level

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world. China's massive population and workforce were previously willing to work for peanuts, and work very hard. This also is beginning to change. In the cities where people in their 50's and 60's continue to do demanding physical labor, those people are more and more often being overlooked for younger counterparts who will work harder but demand more for their labor. Even manual laborers are demanding 15-17% more in wages in China today than just a year ago.

The one child rule where families may only have one child to control the population will lead to a peak workforce likely in 2015. The ability to continue to fund a low cost workforce will then cease, and it's beginning already. Many major auto and electronics companies have recently had to increase pay and benefits for Chinese workers as they begin to enter the 20<sup>th</sup> century labor market, demanding reasonable pay and benefits and are now willing to strike. Many times pay increases can be up to 20-30% annually. Don't get too excited, this brings their pay to an average level of \$29.00/month. This is part of the big societal divide, that's not much money in China either. This is making the price of Chinese exports much more expensive on the global stage and export business is now more competitive in such places as Vietnam and Korea.

The GDP of China has grown at almost double rates for almost 40 years. People continue to assume such growth to infinity, but it's just not going to happen. Expect growth to slow and ultimately reach levels of any modernized society. China realizes its infrastructure; natural resource intensive binge is almost over. This will put downward pressure on all natural resources. A big reason natural resource prices have gone crazy in the past few years is the seemingly endless demand of the Chinese economy.

I think there is a lot of issues and opportunity in China today. The country needs to reinvent itself, which it's been very adept at in the past, but these challenges are much larger. The massive population is the target of all businesses across the globe as the future growth of most industries. The Chinese need to become more dependent on internal consumers and consumption rather than exporting for global consumption. They ultimately must become an import driven society like ours with that massive population to support. There has been arguably a lot of misguided investment in China, creating bubbles as large if not larger than what we've seen here in recent years. These bubbles are in cities where most of the business and infrastructure investment have been driven in recent decades. How the leaders there deal with those and a host of other issues will ultimately determine how the Chinese situation unfolds. China also needs to devise some social safety net; they currently have no social security type system. The cost and deployment of that alone is a mind boggling challenge. China has many issues and many opportunities, but there is the very real possibility of a meltdown in certain sectors there that will make 2008 look like a speed bump. ☺

## **Razor Sharp**

The length corporations will go to swindle people out of their money is mind boggling to me. The seemingly endless string of consumption driven decisions by the public is equally insane. Perhaps it's a good match, but my hope is that you don't go down that road. Instead, take the road less traveled and do the right thing. I'm as big a fan of capitalism as anyone, but you also need to be a very sharp consumer in today's world to outsmart the marketing departments of the corporate world. You'll need to work equally hard to outsmart the social, peer and emotional pressures on all of us to do what is popular and "in." I'm a big fan of not doing what is popular, an odd trait that makes investing easy for me, I'd prefer to take the path less traveled, the path where I'm on my own and doing my own thing, going the exact opposite direction as the crowd.

The thrifty notion that previous generations embraced is coming back with a vengeance and I'm equally happy to share strategies to help drive those values home as well. At my core I'm as thrifty as they come but as my time has been in more and more demand, I'm less willing to spend time looking for great values on basic needs. I've drawn a line in the sand on insulting corporate greed today. This line is aimed directly at razors as we now compare razor sharp in reality to the idiom of the same name.

Gillette & Schick really are taking people to the cleaners on the shaving scene. I was mailed a fancy new razor blade a few years ago that had 5 blades on it. Yes, 5 blades, what a joke! One blade worked well for decades and now the competition is constantly trying to up the ante' and the price to get people to spend truly outrageous amounts of money on disposable razor blade inserts. I've used the same razor blade for probably 15 years. It's a two blade model made by Gillette and it's finally worn out, it no longer holds the blade inserts. Now I look to this new razor they sent me with a few blades and I've used it only when I travel, its normal home is the travel bag. Now that I'm clean out of blades the travel bag is now the day to day tool until I come up with a new solution. It only came with a few blades and now I'm looking at a new direction with razors.

The blades for the fancy 5 blade razor model cost anywhere from \$2.75 - \$4.00 each, the gall of them! That's highway robbery and I refuse to go there. This blade will be sent to the recycling bin to be melted into a tin can somewhere. My pattern over the years has been to buy a bulk supply of blades from someone on eBay for the old razor, which can generally be had for \$.50 cents each when you buy in quantity. Even the old blades still demand \$1.50 per cartridge in the store. All of this is insulting!

I'm now in search mode to find a new solution to avoid the raping and pillaging of the razor industry. Cup has an old razor that holds the same two blade cartridges mine did just fine so I'm likely going to just buy a few hundred blades for it and be done with it for the next several years. I'll end up doing some more research as the fear that they'll stop manufacturing the old blades altogether to force the consumer to the new toys drives me to find a backup plan. The old school razor may be old school, but it's efficient and effective. It also makes sense to look into an electric razor and forget the blades altogether, but even they have "cartridges" for the blades. Perhaps an old school straight blade makes sense, but you'll need to really pay attention when using it as a small mistake with that won't just cause a nick or a razor burn, you'll sever your jugular! ☺

## Noteworthy News!!!

- Congratulations to Annette Cassullo on her recent retirement! ☺
- Congratulations to Steve Houk on the purchase of his new home! ☺
- Congratulations to the Wable family on the purchase of their new home! ☺
- Congratulations to Roxine Weisbrod on her recent retirement! ☺
- Congratulations to Chris & Angie Smith on the birth of baby Owen. He joins big sister Cara as # 2 in the household. ☺

## The Business of College

College is big business today, it's not just about education, and there is a tsunami of business rolling around every educational institution in the world, even public elementary education. Make no mistake; the business element of education is in the driver's seat. In CT, the three highest paid state employees are all UCONN employees, the coaches of the men's football and both men's and women's basketball teams. They're all earning around a million bucks a year. That is insane for a state employee, a coach, but the money that comes into the university over their programs is equally insane.

People scratch their heads trying to figure out how to pay \$50,000 + annually for their kids to get an education. You can get a perfectly good education by spending two years at community college and then moving on as a commuter to a local public school. This method will get you a BS or BA for around \$20,000 - 25,000 if you get zero student aid. That's a killer value. If you're going into something that requires an advanced degree, the education will cost you a lot more simply because of the additional number of years of education required. It doesn't hurt to apply to any college and compare it to the basic college; a good aid package can make Harvard less expensive than Community College.

If a benevolent aid package doesn't end up in your future, there is help on the other end of the spectrum with student loans. Programs exist to help people with student loans that used to be the exclusive territory of public service jobs. Now virtually anyone can qualify for limits as to what they'll have to pay back in student loans with new federal packages that just came out. If you have government loans (only government loans qualify, no private or plus loans qualify) the amount of a borrower's loan payment cannot exceed certain percentages of income. In addition, the loans will only need to be paid for a finite number of years, 25 years or 10 years if you're a public service employee. After those number of years, the balance of the loans are forgiven. Along the way, the payments are limited to a certain percentage of income depending on how much you earn, how much your debt is and a formula.

The current program limits a borrower's monthly payment to 15% of income and 25 years of payments, after which time any outstanding balance is forgiven. The programs set to come out in 2014 limits the payment amount to 10% and 20 years. Think about this, the costs are meaningless at a certain point. If you're going to spend a certain percentage of income for a specified period, the costs mean nothing. People will spend to the limit, because they're not paying the bills. You and I will pay for the educations of people we do not know.

## What Can You Do? *Cont'd from page 1*

of our lives from the smallest of issues to larger more complicated quests in life. They're all equally important and it's good to start with small things have successes and build your confidence. Once you've got the required confidence, forget tasks, set your sights higher and go after quests; they're just much more fun and fulfilling but take a lot longer to accomplish.

John Wooden put it another way, "Do not let what you cannot do interfere with what you want can do." Don't think of failure as a bad thing. Each time you experience failure you're that much closer to accomplishing your objective. People who have done great things in our world just didn't come up with the great idea or invention right out of the box. These people kept on plugging away, often for decades, but they stuck with it. They didn't stop until they accomplished their objective. I would argue that determination and work ethic are much more important than incredible smarts or special talents.

Common sense and vision are the keys to success and both need to come back into our lives as the centerpiece of existence, not the stupidity of the law and a potential of lawsuits and legal action. Anything you're trying to do you must stay safe and reasonable, but life has inherent risks. Life is full of risks. Activities such as driving to work, playing sports, exercising or working around the house or yard all have risks but we do them every day. I think more people don't do things today for fear of legal exposure. This environment we're in has beaten the ingenuity and creativity out of people to a degree. Someone will fix this mess we've become of a no responsibility legal extortion by lawyers society. That person will change the world! ☺ It'll happen, it's just a matter of time.

For now it is what it is, so what, keep on plugging away at whatever makes you fired up. People are passionate about different things and if we all chase our passions to the extent of our ability, not someone else's imposed limit, we'd all be surprised where we end up. We'll typically accomplish a lot more than we thought we would. I see it daily with many people who set their sights on something and set a goal, then blow it out of the water. Then they set the bar higher, and work towards blowing that new goal out of the water. Life is about the journey, not the destination. What fun would life be if we were where we wanted to be and had no plans, hopes or dreams? If we have our health and family we are truly blessed and the rest is gravy. We live in a society where we've made our lives a rat race and often we're chasing the wrong things. Simple is usually better and going after your passions is the key. Don't let anyone limit you, you have endless potential, as humans we all do. You need confidence, faith and determination and you'll likely accomplish a lot more than you ever thought possible. Write down your goals, keep score, and go after them. Anything you pay attention to improves. Write it down, keep score, and share it with someone to hold yourself accountable! ☺



## What Recession?

### Money Quiz

This month's challenge is to tell me how many times the S&P 500 experienced double digit total return losses in the past 75 years. 33% of the losses have occurred in the past 10 years. ☹ Last month's quiz was won by Nancy Russell! ☺ There were 2920 homes repossessed per day in the first 4 months of 2010. Yes, almost 3000 foreclosures per day! ☹ The winner will enjoy lunch/dinner on us at Ruby Tuesdays. ☺ 06282010:4

### The Electronic Age

Generation X seems to be in full swing electronically. We use technology and the computer for just about everything. Baby boomers are a split crowd, some use it and some don't. This technology isn't going away and it is the future so it makes sense to get a basic understanding of it and use it as a tool, not consider it an obstacle to your life.

There are a plethora of bad and scary stories that people use crutches to avoid having to learn about these tools we take for granted every day. The reality is that you do need to know how to surf the web safely as there are plenty of traps to fall victim to if you're not on the ball

There are sites out there that look like the real deal, but ultimately have a different web address. If you're going to go to eBay, make sure the web address is [www.ebay.com](http://www.ebay.com) and you're okay. A clone site may look and feel real, but the actual web address will be some other firm at the beginning, such as [www.abc.ebay.com](http://www.abc.ebay.com) this is an imposter and you should not go to this place, ever. They're trying to steal your identity.

It's okay to shop online, pay online and bank online today, if you're using secure websites. A secure site will begin with <https://www.securesite.com> where a non secure site will be <http://www.unsecuresite.com>. Never type any personal information into an unsecure site. Most financial institutions face pages are unsecure, but once you go to enter your personal information, or your user ID & password, that's always done on secure sites.

Whether you bank online or not, your financial institution uses the tool well all call the internet every day, and your information is part of that process. If you choose never to do anything financial online, that is perfectly fine, but realize you're still out there as others are processing you digitally all day long. I recently received a letter from the state of Massachusetts saying they've lost my personal information in processing one of my licenses. Whether or not I bank online, my personal info is now in hands of some crook, along with my check. They're now protecting my identity with some electronic program. ☺

The news is that we're in the great recession. This notion is comparing this "massive" recession to the great depression of the 1920's. It may be greater than prior recessions, but is it really the greatest? The 70's were arguably worse, we don't have gasoline lines today and interest rates are about at zero. Unemployment is comparable to what it was back then too. It may or may not be fair to compare it but its being sensationalized either way. There is no doubt we've entered a new phase in our world where people are more cautious with their hard earned loot.

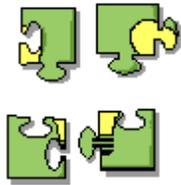
With the big headlines of unemployment at 9% + and state budgets a mess, foreclosures at all time highs how can anyone be spending any money is the next logical question. I agree with the logic, but on the other hand look around you and see how people live. How is it possible that in such dire economic times people continue to vacation, buy new cars and homes? Have you been out to dinner recently, restaurants are mobbed! How do people continue to have cell phones, video game consoles and enjoy the unlimited luxuries of life? People still spend \$3.00 - \$8.00 (that's so insane) on a drink from Dunkin Donuts or Starbucks.

The grandest spectacle of all in the world is Apple. Apple is truly a magical company with no true competitors, but think about it; most of what it sells are toys. Music, cell phones and iPods are all niceties, not necessities. Computers are arguably business tools, but most of the Mac's sold are not to businesses or schools, but to consumers who prefer them over the IBM standard. The iPod is another new, cool invention from the makers of all things wild and weird, but what is it really, a tool or a toy? It is arguably in a gray space, some call it a big iPhone, others a new way of using the computer with forever connectivity to the web. This is another thing, most people in America have a cell phone that does calls, texts, emails and surfs the web. The phones today even tether to your computer so you're laptop is always connected to the web, as long as you have a cell signal. We'll see how it plays out, but even the new iphone is selling almost a million units every other day, mostly from people upgrading the old one. Now if you have a working iphone, upgrading the new one is again a want, not a need. Bottom line is people have the few hundred or thousand dollars to buy these nice toys, along with the few hundred a month to support them. If things were really so bad, consumers wouldn't buy the products these businesses sell, and the businesses would evaporate overnight.

If these nice toys didn't exist people would have more money to put towards true basic needs. The reality is there is so much money in the world it is difficult for most to put their head around it. People today in America and most of the developed world live in a wants world, not a needs world. People burn money at amazing rates living the lives they choose to live. If we look at ourselves in the mirror, we all know we could live on less, but we choose not to. This isn't good or bad, it's just a choice and if you've planned for your tomorrows and are comfortable today good for you. If not you'll need to adjust and will eventually. My point is the world isn't in as bad of a situation as most people think. We're in an adjustment phase where people need to learn how new levels will be set to adjust their life to those levels. ☺

## Inspirational Quotes

- You can make the best out of a bad situation, they make diamonds out of coal, author unknown
- The man who does not read good books has no advantage over the man who cannot read them, Mark Twain
- The greatest barrier to success is the fear of failure, Eriksson
- He that is good for making excuses is seldom good for anything else, Ben Franklin
- He who is not everyday conquering some fear has not learned the secret of life, Ralph Waldo Emerson
- A person without a sense of humor is like a wagon without the springs – jolted by every pebble in the road, Henry Ward Beecher



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

## Kids Korner

Our perception of our kids lives and their perceptions are two totally different things. Last night my oldest rugrat Hannah was filling out a survey online from a magazine while sitting next to me and I was watching her from time to time. It was a unique opportunity to view life from her perspective. Some of the questions asked about her relationship with us as her parents, her siblings, etc. As the survey progressed, they also asked if there is anything she didn't feel comfortable talking to her parents about. (she said nothing, thankfully ☺) This process went on and on, asking what your parents should know about you that they don't know, what you would change about your life, what would change about your world if you could. It was a wonderful way for a company to really learn about their consumers, our children. Hopefully they'll provide tools for the kids and us adults to use to improve our lives overall and try to see things from the kids perspective. It's also a great opportunity to really have a heart to heart with the kids to make sure there isn't something we could be doing better that would be for the greater good, the kids, the parents and society in general. ☺ ☺ ☺

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