

Risky Business

Life is riddled with risks; there is no question of that. Some risks are very real physical risks such as driving your car, and other forms of transportation, as well as certain demanding occupations. The decision to partake in these activities is one we make daily. We all drive back and forth to work and go about our business each day traveling when necessary. Some people are brave enough to do physically dangerous jobs which help build our world and make life relatively easy for the rest of us.

When it comes to our finances, most of the risks in this area of our lives are perception driven by the lens through which we look at the world. There is always risk in any financial decision but how we define risk is the key to our ability to deal with it effectively. The first thing we need to address is how we define risk. I believe most people define risk as the possibility that their money will shrink in value over a short period of time. That is a valid description of risk, although the time frame for defining said risk should be 5+ years for investments that fluctuate in value and will only be needed at a later date for a planned expense. This business of looking at values daily, monthly and quarterly is nonsense. Some define risk as the chance that an investment will perform poorly compared to a peer investment or some other benchmark. This is most people's perception of risk. Others further define risk as the possibility that their assets will buy less in time because inflation has eroded the buying power of their assets. All of these perceptions and definitions of risk are valid. They all need to be taken into consideration when making a decision about the risks of finances and the direction you want to go. The real problem with risk for most people comes when there

Continued on page 2, Risky Business

INSIDE THIS ISSUE

- 2 Risky Business; Just Laugh
- 3 Noteworthy News; Cash Conundrum
- 4 \$ Quiz; Forced to Sell; Then vs. Now
- 5 Inspirational Quotes; Kids Korner

Personal Responsibility

Many people today lack the ethical compass of our forefathers which made our country great. Too many people today are looking for a free lunch and a portion of society is simply living on handouts. This is a terrible thing, and one that needs to be reversed. The old style proud Americans would just put their heads down in the face of adversity, work harder, spend less, and push harder through tough times, helping one another along the way. Most would be too proud to even take anything if it were offered to them. Many didn't even get an offer of help. Living through this made them stronger, and it made America great.

This attitude still holds true most of the time, but there is a segment of the population that has grown surprisingly large, who just expect some form of a handout. There are needs for social programs, when people have hard times and no support systems exist. We cannot just leave people to rot on the streets. There have simultaneously been many politicians who have expanded such programs beyond what is necessary, creating a class of people who have the ability but don't work, and are still able to live nice lives.

The system is now so large, with each situation being different and unique, that it has become difficult to police. One of the great contributors to the watering down of our ethics and responsibility is the legal business. Law is necessary and complicated, attempting to be all encompassing and protecting the greater good. Have you ever gone to the state website and tried to read a statute? Do it when you have some time, because every statute is very long and detailed. But life is impossible to govern via a book. Governance needs to be a combination of laws and common sense.

We've arrived at a time where the law is still for the greater good, but unfortunately, too many times it's simply a tool to further a political or connected class. Connecticut's outgoing Attorney General has recently been voted the most useless of all 50 states. He's turned the AG's office into a legalized extortion ring, going after businesses not just to protect consumers, but to milk companies financially with taxes, putting many of them out of business, later claiming lawsuits create jobs! Forcing companies out of state or closing them through lawsuits isn't creating any jobs. Is he on crack? Connecticut is losing employers and jobs.

Continued on page 3, Personal Responsibility

is a gap between the real risks and possible outcomes. The gap between reality and perception can come via a misunderstanding, unintended event, uncompensated risk or sometimes, and sadly, from a misled consumer.

The misunderstanding of risk can be mitigated with a thorough education on the approach being taken, applicable risks and how they apply, the likelihood of them happening, and the possible outcomes in any event. The unintended event risk is something we must accept, and if the unintended event is something you cannot handle, don't go anywhere near that type of financial move. Most average folks shouldn't be trading certain risky or leveraged investments, even though they're readily available to them. Most are out of their league in trading investments alongside professionals. Why people think they can out invest a professional is beyond me. Who thinks they can outplay a professional athlete or compete with a world class chess player? Not me. If I were to be in a chess match, I'd want Bobby Fischer on my team (if he were still alive), not on the opposing team.

If the risk is taken, you should be sure you are being compensated for taking that risk. The risk levels a person is willing to take are directly tied to the compensation they can possibly earn. If you want very little to no market risk, expect a relatively low rate of return. If you aren't worried about market gyrations over a few years, you may be a good candidate for higher risk equity type investments. When people are misled in any type of situation, it's just plain wrong and evil. We must be able to step back and see the bigger picture and remember the old adage, "If something seems too good to be true, it likely is." There was no bigger schemer than Bernie Madoff who took educated folks for billions, promising a "no market risk" deal at 11% fixed rate of return. He sold this line of trash to wealthy individuals, churches, towns, cities, states, endowments and became known as the "Jewish T-bill." It is mind boggling that he was able to do this to people and was not caught earlier. But the perception was that this guy was the King of Investing. He once had a very impressive resume including running the NASDAQ and bringing computerization to Wall Street. He seemed like an industry leader at the time, and now we know what he really was - the leader of the Ponzi industry!

Today more than ever, people need to be crystal clear about risks they take considering the past ten years which have proven to be the worst in investment history. Any questions on this topic, please reach out to us, we're always happy to have a conversation with you about this or any other topic or issue.☺

None of us laugh enough, and it's been said that a gut-busting laugh can produce more good chemicals in the body than any drug ever made. To further that cause, here are some funny lines I've collected:

- Do not argue with an idiot, he will drag you down to his level and beat you with experience.
- Light travels faster than sound; this is why some people appear bright until you hear them speak.
- If I agreed with you, we'd both be wrong.
- We never really grow up; we simply learn how to act in public.
- How does one careless match start a forest fire, but it takes a whole box, and a can of gasoline to start a campfire?
- Some people are like slinkies, nor really good for anything but you can't help smiling when you see one tumble down the stairs.
- Some cause happiness wherever they go; others, whenever they go.
- The last thing I want to do is hurt you, but it's still on the list.
- Evening news is where they begin with "Good evening," and then proceed to tell you every reason known to man why it isn't.
- If wisdom is conventional, why is there so little of it out there?
- Everyone has a photographic memory.....not everyone has film!
- Failure is opportunity in disguise.
- Gambling, the sure way of getting nothing for something.
- Plan ahead, it wasn't raining when Noah built the arc.
- Some people drink deeply from the fountain of knowledge while others just gargle.
- The lottery is a tax on people who are bad at math, as well as a voluntary income tax.
- When you live in the past, it costs you the present.
- A bargain is something you do not need at a price you cannot resist.
- An adult is someone who stops growing at both ends and now grows in the middle.
- Drive through windows were established so the cars could see their real owners every once in a while.
- He who laughs last, thinks the slowest.
- Some minds are like concrete, all mixed up and permanently set.
- You know you're getting old when you're told to slow down by your physician and not the police.
- Be nice to your children, they're the ones who will choose your nursing home.
- Kids in the back seat cause accidents, accidents in the back seat cause kids.
- What is the difference between in-laws and outlaws? Outlaws are wanted!
- Status in America is defined as buying things you cannot afford to impress people you don't care about.
- Don't take life too seriously, nobody gets out alive.
- Genius is 1% inspiration and 99% perspiration.
- The only thing that comes to us without effort is old age.

Noteworthy News!!!

- Our condolences to the Simek family on the passing of Charlie. Charlie was a wonderful man, husband, father, grandfather and uncle.
- Our condolences to the Opinsky family on the death of Martin's father Jack, who was also a wonderful man, husband, father, grandfather and uncle.

Cash Conundrum

Cash is king still reigns supreme, and many people are currently hoarding their cash, fearful of what is around the next corner. We're seeing cash levels as of mid year at around 4 trillion dollars. This is enough money to buy almost 35% of the S&P 500 entirely. To say money is sitting on the sidelines is an understatement. The government is keeping rates low to stimulate the economy. I don't know that prolonged low rates are helping anyone. We know these historically low rates are punishing anyone in cash, but they're simultaneously helping the financial sector by making it easier for them to rebuild their balance sheets. What is going on in the world isn't typically good or bad, and is generally fine with me. The way we're positioned today is really benefitting our businesses, as the government is essentially subsidizing what we own. I wouldn't like this scenario at all if I didn't know what I do; the average guy who just goes to the bank to put money on deposit there is getting hammered hard.

As time passes by, and people realize things are improving, the cash that is currently sitting on the sidelines will ultimately go into stocks again and it'll drive prices to more normal historical levels. Investors are currently earning roughly zero percent on cash today, that's without factoring in inflation and taxes, just for the luxury of "hiding" from the fear that is prolific today.

If you or someone you love is working through this same type of scenario, it's important to find a balance. Cash isn't really an option today as it's paying nothing; it's actually costing you to hold it after taxes and inflation. The first step to getting away from this is to explore some cash alternatives. Short term bonds, insured bonds and dividend paying stocks are all options to get some yield and gain a positive return after taxes and inflation. On the loan (bond) side of the ledger rates will go up eventually, so it's imperative to keep durations low and avoid certain government debt. Some high yield and convertible debt is currently very attractive. Anything you consider as a cash alternative needs to be liquid, never lock up your money in any type of investment, especially those funds you've reserved for cash for a rainy day. Most of us never use our cash reserves; it's just nice to have on hand and provides peace of mind in the odd event you need it. We've seen a few medical issues just recently force people to tap cash reserves. You never know when you may need cash, but consider other options as cash today, because cash is painful now as an investor. Cash is quite attractive as an owner of a bank because we can raise money for almost nothing. ☺

Personal Responsibility

(Cont'd. from page 1)

This will continue until the government becomes business friendly, not business killers. You cannot sue an employer for leaving Connecticut which has a costly bureaucracy of business-killing rules. Connecticut hasn't gained a job net in twenty years. The state legislature and courts have simultaneously decided to interpret the law without a grain of common sense over the past few decades, further exacerbating the problem. When will the dim bulbs in our electorate wake up to this?

In addition to the people who don't work and have children to make money, and who milk every program known to man not because of their needs, but just because they can, we have another class of people - the professional lawsuit class. You hear about all of the crazy lawsuits happening everywhere. We recently had a court case in CT where a mountain biker ran her mountain bike into a bright yellow steel gate at the end of a dirt road as she crossed through a property owned by the Metropolitan District Commission in West Hartford, CT, a non-profit reservoir system for the city of Hartford. People use the protected land for recreation such as hiking, biking and jogging and it is closed to motor vehicles. Recently she won a \$2.9M lawsuit; apparently the bright yellow steel gate across the dirt road she drove her bicycle into wasn't enough of a warning sign. There should have been a separate sign posted! Now the MDC may close the property for recreation because of this nonsense. Who wins here? One lawyer and one person, and the rest of society is out of luck. This isn't how the law is supposed to function; it's a sick abuse of the system.

This is ridiculous on every level. The judge who presided over this case should be fired, and the attorney who brought it to court disbarred. We're paying these judges for this nonsense. The whole concept of liability today is a total joke and it furthers the irresponsible nature of many people in our society. I see people who are involved in many lawsuits, and I benefit from many because they come to see me with their newfound money for advice on what to do with it. It's still wrong on almost every level when the law is used for extortion. When a real wrong is done, the law and courts and options to sue need to be there, but it's come down to being farce today. The concept of the lack of a sign causing liability is insane. It assumes that no one has any common sense and more importantly, that no one is responsible for any of their own actions. Our courts and legal system are broken on many levels; our legal system needs to work on a combination of the law and common sense. We need to address this issue earlier not later because it's watering down what America stands for.

It's time for individual responsibility to come back to our society and be our guiding light. We'll always need the law, but we cannot exist successfully without Personal Responsibility. ☺



Money Quiz

This month's challenge is to tell me what the average return per year (total return) of the S&P 500 has been from 1960 – 2009 under a Democratic president and a Republican-led congress. Under a Republican president and Democratic led congress it was 7.1%/year over that time period. Last month's quiz was won by Costantino Romano. There were 3.98 million homes for sale on 7/31/2010. The winner will enjoy a meal on us at Ruby Tuesdays. © 101810:1

Forced to Sell

I spend the bulk of my life waiting around, looking to buy something, but only when someone else is forced to sell it. I also tend to buy things when nobody wants them, because the values are better. I'm not buying a snow blower now because everyone needs them, the season is upon us and prices will be high today. The only way I'd be buying one is if I didn't have one and needed one, but I typically plan ahead decades, not seasons. I'd certainly scoop up a great air conditioner or other out of season item now if one was being sold at a big enough discount and I needed it or could sell it for a profit. This mentality has helped me throughout my life on countless occasions. I've acquired most of my worldly possessions through this discipline and it's a fun process to follow. It's similar to getting things normally sold at a really high price at a fancy store at the dollar store for five bucks. A deal feels good to anyone, not just me. This is a healthy way to get some endorphins flowing. If you're buying things when nobody is forced to sell, the price you'll pay is market price, perhaps even higher if demand is up. If you're buying when there is a problem, and people need out, the price is suddenly very negotiable and a deal can be had. Many of us have seen this in housing, via a foreclosure or a short sale. People tend to get a real good deal when they acquire a property this way. There is a virtual industry built around foreclosures today. The deals in this area are good now, and will likely become great in the coming years as the government stops toying with the housing market and supply and demand just come to equilibrium on a market basis without any outside influence.

I see this same phenomenon going on in the financial markets; people who are working on borrowed money are forced to sell to repay their loans. Margin accounts, hedge funds and other leveraged players succumb to this problem when they aren't using cash alone in making investments. The past few years have seen a lot of deleveraging, and now there is much less of this borrowing going on. We now have a cloud of worry that more people will be forced to sell shortly, and it's holding prices down. I doubt we'll see another big round of forced selling, be a buyer when others are selling. ☺

Then vs. Now

People are for the most part done with comparing today's recession with the great depression. The world we're in today will likely be referred to in history books as the great recession. More importantly is how we learn from the past and act differently this time, working to eliminate the mistakes of the past, not recreating them. We're blessed with many things today that are going well despite the headwinds we face. These headwinds hurt us back in the 20s and 30s; during the 30s the initial response to the depression was for the government to spend money, and lots of it. The result was to put a lot of people to work on infrastructure projects, but you must realize it was a very different world in the 1930s. There was 99% less regulation and red tape than there is today so the result was a lot of people went to work. However, unemployment persisted because the government was hostile towards business and this uncertainty led to businesses just plodding along, unwilling to spend and invest to create jobs. The administration also took money out of the system in those days, making it more difficult to get money and get the economy going. During the 30s, income tax rates for individuals went from 24% to 79% and corporate tax rates went from 11% to 15%. It took a dozen years for them to figure out that these policies don't work and in order to get the economy rolling again we need to spend less money and create a more business-friendly environment. China learned from our mistakes and they are growing like a weed. They're a real player on the global stage, and one we can learn from as well.

Today we have a very scared population and a government out of touch with what the people actually want on many levels, but a government which has done some things well in reaction to the crisis of 2008. Our response today to the economic uncertainty was similar to the 30s in that the government is spending like drunken sailors, but the result is that they'll pay for that action at the polls and the time horizon wasn't decades as it was in the past, this time it didn't even take two years for the politicians to pay with their jobs. The governments worldwide acted swiftly after the collapse in making credit available and backing banks and keeping faith in the financial system as we know it. This was a smart decision, and many of the bailouts were big money makers for governments. The U.S. Government has earned a double digit return on the TARP program to date, by far the best economic decision of any government body known to man. The population today is done with spending and irresponsible leadership at all levels of government. This should cause the pendulum to start to swing to the right, as the left has caused massive imbalances. This is normal, the right caused imbalances years ago and that is how the left gained power. Over time, this political pendulum will swing back and forth, but unlike a pendulum on a clock, this one sways very slowly. It may take decades for the swing to go from one extreme to the other. Europe has already seen what happens when a country's financial affairs hit the economic brick wall, the liberal policy is reversed. That same trend will take hold in America in the coming years. We need balance at all levels - nobody is worth the insane pay packages of CEOs and unions cannot have control over taxpayer funds any longer.

Inspirational Quotes

- Never worry about numbers. Help one person at a time, and always start with the person nearest to you ~ Mother Teresa
- Nature and wisdom are never at strife ~ Plutarch
- It is easier to be wise for others than for ourselves ~ François De La Rochefoucauld
- The art of being wise is knowing what to overlook ~ William James
- The first step in the acquisition of wisdom is silence, the second is listening, the third is memory, the fourth is practice and the fifth is teaching others ~ Solomon Ibn Gabriol
- A wise man learns by the mistakes of others, a fool learns on his own ~ Latin Proverb
- No man was ever wise by chance ~ Seneca



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

Kids Korner

Kids need our attention, they long for their parents to have them in the center of their lives. It's often difficult with our insane schedules today but it's imperative that the children know they are indeed important to us by showing it, by giving them your undivided attention whenever you can. They need our support in many ways throughout life. Not all children are naturally confident or good at everything as some of the lucky ones are. For those less fortunate, focus on the things they are good at and let them know just how lucky they are to be this good at something. For the things they're not so good at, work with them and help them to become proficient. Most kids can do anything when enough energy and effort are spent with them. Spending time with children is awesome; it's rewarding, fun and good for both you and the child. If we don't spend enough time with our kids, they'll find someone else who will. My suspicion is the person or people they find who will give them undivided attention wouldn't be your choice. It's ultimately up to us how our kids turn out, it's not the school's problem or society's, it's our problem. Teachers cannot be both teacher and parent. Children will do well in any school system as long as they have a healthy, loving home to grow up in. ☺☺☺

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- Andrea = andrea@fiscalwisdom.com
- Michele = michele@fiscalwisdom.com
- Maureen = maureen@fiscalwisdom.com

New York Directory (315) 682 0348

- Teresa = teresa@fiscalwisdom.com
- Mark = mark@fiscalwisdom.com
- Jackie = jackie@fiscalwisdom.com
- Tom = tom@fiscalwisdom.com
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If anyone you love or care about would benefit from receiving our 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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