

The State of the World

The world is a complicated place today, highly complicated. As I look at the global landscape it appears the old rules no longer apply in many regards. You & I live on the planet and politicians live in a separate and distinct land of irresponsibility. The global and economic situation we find ourselves in today is simply a product of political foolishness. The capital market today is basically rebelling against what has become commonplace, politicians passing the buck, buying a block of voters, and trying to further their viewpoint of party beliefs without dealing with the real underlying economic issues. What are lacking in our world today are a few main ingredients from which most of our issues can be easily solved once these issues are dealt with. The issues I see completely lacking are common sense, personal responsibility, entitlement, leadership and moderation. These issues intertwine on many levels.

Common sense dictates that you cannot spend more than you make. We've seen the consumer crash hard on this concept in 2008 when the banking industry woke up and stopped giving credit to those simply for fogging a mirror. It's very hard to get a loan now, as it always should have been. You need to be responsible and qualify, unless you're riding on some of the still living government programs from Mars where they still allow nonsensical underwriting. So much for the theory of the government always doing the right thing for society! Consumers are now on the right path and getting where they belong, saving at levels not seen in decades. Corporations are in the best shape financially ever in the history of time.

Government has yet to wake up to this reality. It will soon have to. Greece is beginning to get it 18 months into their fiasco. It surprises me to see the Greek people rioting in the streets because they don't like the cuts necessary to keep the country running. They don't like it? Too damn bad, it's just reality and the game is up! Do they realize the alternative if the next tranche of aid

Continued on page 2, The World

INSIDE THIS ISSUE

2. Personal Responsibility; The World
3. Noteworthy News; Europe's Conundrum
4. \$ Quiz; : Commodities; Multi Speed Planet
5. Inspirational Quotes; Kids Korner

The Tax Code

There is no question we need to ditch this mess we call the tax code and come up with a new system. The current system is so complex and so riddled with special carve outs, exemptions for special interests, etc. it's become a joke. It's over 57,000 pages long. I know a lot of CPA's and tax attorneys, and they're mostly really bright people, but nobody can get their arms around that size of system, nobody. These people know very well what tax issue they see daily, anything beyond that requires research and reaching out to other experts who handle that particular specialty side of the code.

This is something we can actually get done as everyone in the country recognizes the need to do it. The current system clearly isn't efficient and is dated like most government programs. This can be the beginning of the new efficient government. Just like the postal service is trying to come up with more things it can do to stay in business and current, it will evolve into something very different and hopefully something very efficient and perhaps even cool. Can you imagine the post office issuing drivers licenses, hunting permits and selling other items? Who knows how it will play out, but this is the new reality of the world? This is a new and innovative approach that is desperately needed today in every old stodgy dated government department out there.

The tax code needs to be simplified, the tax base needs to be widened, and the highest tax rates need to go up, a lot. Simplifying is a no brainer, and in doing so a lot of special interests are going to whine, but this is part of the solution. Widening the tax base will mean more people will pay income taxes. Right now, almost 45% of all Americans pay no income tax, this is a big problem. Everyone needs skin in the game. For those who are billionaires, or even ten or hundred millionaires, the tax rates need to go up a lot on top incomes. The current administrations definition of a billionaire is someone making 250k/year, that isn't quite a billion. For those making a high income such as 250k/year, taxes can go up some, but they really need to up a lot for those who truly are making a fortune. For those who make millions each year in personal income, the tax rates should be much higher. Put the top rate on incomes over \$2.0 million annually at 90% or 95%. Watch how quickly these business people will begin investing back into their businesses and

Continued on page 3, IRS



The World (continued from page 1)

doesn't come? Here entitlement proves a more powerful force than common sense. The Greek civil servants rioting and waving signs saying "Erase the Debts" and burning buildings prove they completely are disconnected from reality. These debts, as with any public debt, are what finance all government operations. Should they default, as they likely will, who will lend to them next to allow their society to operate? They expect the country to file bankruptcy and people to lend to them again as if it never happened like an irresponsible consumer does? It's exactly this attitude that is scary and widespread today, blind consumers, politicians and societal members alike need to wake up! I'd like some of that policy for myself if it were real and sustainable. Simply, because of what used to be, people expect it regardless of the economic feasibility of it. I doubt Greece survives as the country they are today without defaulting at some point in the near future.

Personal responsibility is only an issue for a portion of the population. We've taught certain aspects of our society that they're not responsible for themselves and someone else will take care of them and their problems. Whether the issue is milking government programs, not having health insurance, stacking pensions or looking for a paycheck through our frivolous lawsuit system, it's prevalent in the world today. Florida woke up to this nonsense in requiring anyone receiving state aid to get a drug test. It only makes sense, you and I need to have one to get a job to earn the money, shouldn't those on the public dole need one as well? The local and Federal government needs to get on the ball here too, as do the many states that still allow such obscene abuses.

It saddens me to see the television full of commercials from attorneys advertising (fishing) for clients to sue if anything went wrong or an error was made in their life. Did you recently get a new hip or knee, did you live in a nursing home, did you take a drug, have surgery, were you exposed to oxygen, etc. anything today is grounds for a lawsuit. It's pathetic. We need the law for real issues, not this nonsense. This isn't how our founding fathers intended for the law to work. Today most attorneys are great people and do a wonderful job for their clients, but the pendulum of what is acceptable has swung way too far off the deep end. This isn't the fault of the local attorney, (s)he is just trying to make a living within the context of the existing laws, this is the fault of the politicians and the courts for allowing it and trying to ruin the fabric of what made America great by overextending the reach of the professions intent. Bring tort reform to the table and we've solved the health care issues at hand today. Ask any physician how much of their practice is covering their butt medicine and you will hear 30-50% from local practitioners. It'll also solve most municipal, state and federal budget issues. We need laws to keep our society orderly, but those laws need to be combined with common sense to rule the land, not ignoring it for profit or manipulation.

The World (continued from the left)

Bring personal responsibility back to the table and most of our societal woes from budget issues to education to crime are solved. Without personal responsibility, no matter how much money is thrown at health care, education, drugs, crime, etc. they're all futile battles. People need to be motivated for basic survival as well as self-actualization, not placated with a government handout or a promise for more freebees.

The people are sick and tired of the abuse and nonsense happening today. I see a lot of people in the medical business and the following story is far too common. People go to their physician for an annual appointment (eyes, ears, general checkup, etc.) and they're on state aid so the appointment is absolutely free to them, you and I pick up the tab. I don't mind helping those down on their luck, disabled or otherwise disadvantaged for a while until they get back on their feet. What are prolific today are people like I hear about almost daily from local physicians. These are not temporary situations, these are learned generational abuses. These folks learn how to milk the system, they are people who are able to somehow manage to own a \$500.00 smart cell phone with an appropriately priced internet package to text their friends, surf the internet and play games. They're able to find the cash to have impressive manicures, gorgeous dental work with gold accoutrements, tattoos, piercings and pedicures, even an expensive European luxury car. They can manage of all of this but cannot take care of their own medical care? These are not the disadvantaged people meant to be on government programs. These are people milking it. This is also perfectly acceptable to their peer group and to the political class who have purchased their votes. What we really have today is a culture crisis driven directly from the top down. Once we get some political leadership addressing these issues, we'll be on our way back to reality.

If we can find balance legally and from the top down, the new mandate will be personal responsibility. We'll find the law can drive personal responsibility come back to where it needs to be. Fully grown adults need to be responsible for themselves and their children if they're capable and able, which most of them are. We cannot expect our teachers to be both parents and teachers to potentially great kids who live in homes where nobody cares. The adults in this world need to be responsible for their lives and their decisions. The parents need to raise the children they birth, and if they do not or cannot, face consequences, not point fingers at schools or towns. Throwing money at problems will not solve any of them until we address this core issue. Once addressed, government budgets are suddenly in surplus positions. This isn't too complicated.

Noteworthy News!!!

IRS

(Cont'd. from page 1)

- Congratulations to the Stanczyk family on the birth of baby Olivia Charleigh. She joins big sister Molly to make it a household of two princesses. ☺
- Congratulations to Carolyn Esherick on the purchase of her new home. ☺
- Congratulations to Jason & Jennifer Pace on the purchase of their new home! ☺
- Congratulations to Elise & Christopher Levesque on their recent wedding, the beginning of a beautiful life together. ☺
- Congratulations to the Johnson family on the birth of baby Austin, the first baby princess to Matt and Amanda and the first grandchild to Mary Beth! ☺
- Congratulations to the Rivera family on the birth of baby Juliette Marie, she joins big sister Maria to make it a household of two princesses! ☺
- Our condolences to the Garfield family on the passing of John, a wonderful father, grandfather, husband, uncle and friend. He'll be missed dearly.
- Congratulations to Marie-Alana LaChance on the opening of her new business, www.hypnobirthingcounselor.com! ☺

Question & Answer

Ask any financial question you have and we'll address it here.

Q: What is going on in Europe that is making the world so scared?

Europe is a mess because of politicians, period. When the European union was created it all looked great, but it actually allowed foolish leaders to borrow more money cheaper because the cost of borrowing went down for weak countries such as Greece, Italy (this kills me, I'm Italian), Portugal, Spain, etc. The strength of Germany and France and strong countries carried the weak ones to cheaper borrowing costs.

What should have happened is the countries should have refinanced all of their debt at the lower levels and paid things down, which they could have done without changing their lifestyles at all. Instead, the leaders just borrowed more money to further fund a system that is not sustainable. Leaders keep borrowing beyond their incomes and it kept escalating over the years and now it's painfully evident these debts will not get paid back as promised.

The real fear isn't so much the government but the banks who hold mountains of government debt. All financial institutions hold mountains of government debt because it's historically been considered risk free. It isn't too often countries are going out of business. Fear is that if Greek and other bonds default, the write downs banks will have to take will put them out of business. This is what is at the root of the current global chaos. In 2008 it was people and banks that were in trouble, this time it is governments who are in trouble. It won't ruin the world, but it'll be tough for some countries and should scare the heck out of our foolish leaders not to follow that folly.

not just taking monster incomes out of the businesses. Everyone making that kind of income each year is either a celebrity, athlete self-employed or an executive at a business, there is no other way to earn that type of income. Nobody is worth the mind bending pay packages of the elite, and if taxed aggressively, the business world would operate quite differently. This is a very small percentage of the population, but they earn most of the money in the country.

Sadly, one of my favorite people, Warren Buffett isn't doing a fair job at explaining the current tax system. He's calling for a billionaire's tax and that is good and makes sense. There is a myth that the rich pay no taxes. That is a fallacy. We help people who are quite wealthy, and they'll tell you just how much in taxes they pay. Buffet's claim that he paid less in taxes than his secretary did is a fallacy. Unlike him, he left out a few key ingredients of his complete tax picture. Last year the oracle of Omaha made about 63 million, had taxable income of 40 million and paid taxes of about 7 million dollars. This is after his gifts to charity and state and local taxes, which totaled 23 million. He didn't show how much money Berkshire Hathaway paid in taxes, which was 5.6 Billion in 2010 and he owns 37% of the company. Add it all up, and he's paying over 50% in taxes, but the reality is he can certainly afford to pay a lot more. He also doesn't mention that he's doing everything he can to reduce that tax he pays.

On a positive Buffett note, he's offered a very simple solution to the debt issues of the world, any politician that comes within a 3% deficit in their budget is ineligible for re-election. If we instituted that rule, watch how quickly the finances would be put in order because these people are working to keep their jobs. The current system of political leaders negotiating financial items into eternity is outdated and we need a new model. We should have Buffett's 3% rule installed or alternately have financial boards for all levels of government that political leaders must get approval on for all actions. These boards cannot be political positions; they must be long held positions where people are accountable over the long term. Today's leaders can make promises and by the time the payments come due, the leaders are long gone. Think about the Greek civil servants today, this is exactly where they stand. Where are the Greek leaders that made these deals decades ago? These people are either long gone or enjoying retirement or otherwise out of the political system, with no accountability on what they did.

The current problems of the world will be fixed and it's going to be done with a combination of new taxes, spending cuts, new efficiencies, less rules and regulations and new personal responsibility and opportunity where people are paid for contributions, not just for fogging the mirror or being part of a chosen or protected few.



Money Quiz

What is the average interest rate on a 30 year fixed rate mortgage today? The average rate as of 10/1981 was 18.45% Last month's quiz was won by Fred Scarpini, there were 3.65 million homes for sale as of 7/31/2011 vs. 4.58 as of 7/31/2008. . The winner will enjoy a meal on us at Ruby Tuesday. ☺ 10/17/11:4

The Commodities Play

We all feel the pain at the pump when it costs around \$4.00 per gallon to fuel our rides. We've seen oil prices come down drastically in the past few months, but very little in the form of price relief at the pump. One barrel of crude oil has gone from \$115.00/barrel down to around \$80.00/barrel in just a few short months. That is a 40% decline; however, we're seeing a decline in gas prices of what, 10% at the most?

It's painful how prices are so quickly increased when things go up, but so slowly decreased when prices go down in business. How the commodities are priced influences all of us. Another commodity we watch a lot is copper, which has also come down a ton in the past few months. Copper is used in everything from pipes to wires and electronics so its demand is seen as a key indicator of the world's global economic health. Most demand for commodities has been blamed in the past few years in emerging markets of India, China, Brazil, Russia, etc.

Copper prices have come down from \$4.70/ton down to \$3.00/ton in just a few months. This is a 36% decline and can be attributed to the general sell off of everything in the world in the past few months. Even as markets have recovered some, copper has not. It now hovers around \$3.10/ton and we need to wonder if it is because of pure fear, or is there going to be a fundamental shift in the demand for that metal moving forward.

We won't know for sure what the real reason is for months, but it's an important thing for us to consider as we navigate the landscape today. There have just recently been some new rules passed at limiting investment firm's ability to play the commodities markets as many believe that pure financial speculation is driving the prices of many of these commodities. I agree with that conclusion and welcome the new playbook, hoorah for something useful coming out of lawmakers. We simultaneously have Chinese firms closing mines that mine copper and mines that produce rare earth metals in an effort to boost fallen prices. It sounds to me like the Hunt brothers trying to corner the silver market.

Multi Speed Planet

The earth rotates on its axis at a fixed speed. The countries on the planet are growing or shrinking all at various speeds. The established world markets of Japan, Europe and North America are teetering around very slow growth to very slow shrinkage economically. These large and established economies are struggling with overly complex legal issues, overwhelming debt and political shenanigans. The emerging markets of Asia, Africa and Latin America are growing at near or almost near double digit pace and fighting inflation. They're not concerned with too much public debt, they're worried about spiraling inflation. All of this is happening as we all spin on the planet at the same speed. This new two speed world presents a very interesting set of opportunities for us as investors.

In emerging markets we have political corruption, instability and massive fraud, but here reside the bulk of the planets populations who ultimately want to have a lifestyle more like ours. It's reasonable to say that in the future there will be a shift for a whole lot of these people to live more like we do, what are considered middle class people. It's going to be huge seeing changes as massive blocks of people go from living like they did decades ago, poor and in third world countries, to living like middle class citizens in America.

In 2001 there were 100 million mobile phones in China, today there are 853 million of them. In 2010 there were 5 billion mobile phone connections in the world active and being paid for each month. 1 billion more connections were made in the last 18 months. That's one connection for 80% of the people on earth. Connectivity is changing the world, even in Arab countries and others ruled by dictators where they try to limit what people can see and do, not all communications can be stopped today by government. This communication revolution will change how the world runs, from overtaking lunatic dictators to instant global communications.

70% of Facebook users are from outside of the United States (and they can have it ☺). Information sharing drives the demand for products, services, lifestyles, politics, and policies and accelerates the speed of commerce. This speed of commerce is known as the velocity of money and the higher the velocity the better for all of us on the planet. Too much government intrusion and bureaucratic policy slows this velocity, as we've seen in America since 2008. Brands can go global from any location of a corporate headquarters. In the future, many firms will seek to expand into the high speed markets to further their growth stories. The world's busiest Burger King is in Luchthave, Netherlands while the world's busiest McDonalds is in Munich, Germany and the world's busiest KFC is in Beijing, China. The world's middle class is expected to double in the next 15 years. This is a lot of new consumers to drive a lot of demand for a plethora of new products and services. We'll ride this growing class!

Inspirational Quotes

- Happiness is an attitude. We either make ourselves miserable, or happy and strong, the amount of work is the same. Francesca Reigle
- Live simply, love generously, care deeply, speak kindly, leave the rest to God. ☺
- A life lived in fear is a life half lived, anonymous
- Fear is the parent of cruelty, J.A. Froude
- Fear nothing, for every renewed effort raises all former failures into lessons, all sins into experience, unknown
- If you would live your life with ease; do what you ought, not what you please, anonymous.
- Make failure your teacher, not your undertaker, Zig Ziglar
- The only job where you start at the top is digging a hole, anonymous



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



Fending For Themselves

Are we protecting our children too much? We have to find balance between making sure they're safe and protected and simultaneously exposing them to the realities of the world so they can develop some instinct and street smarts. We had an incident recently when our middle princess, a 6th grader, was dropped off on the late bus at an intersection 2 miles from our house. We were not there to pick her up because we were running late so she started walking home. She didn't get too far before Cup picked her up, but it was very emotional for us. In that stretch of road near our home there is nothing for about a mile. I mean nothing other than trees, telephone poles and critters. She needs to know how to handle herself in the event some nutcase tries anything fishy. This is a tough scenario as there is no home close by to run to for help, her only option is to hide in the woods and run away. This is why many of our youth have cell phones. Statistically she has very little chance of anything happening to her in the thriving metropolis of Harwinton but we're hard wired today to be terrified of everything that may happen. We struggle with this, I'm of the attitude she must be challenged but Cup is terrified of the worst case scenario. What is the best way to expose and protect our kids

Connecticut Directory (860) 673.1942

Mike mike@fiscalwisdom.com
Nancy nancy@fiscalwisdom.com
Betsy betsy@fiscalwisdom.com
Andrea andrea@fiscalwisdom.com
Michele michele@fiscalwisdom.com
Maureen maureen@fiscalwisdom.com

New York Directory (315) 682.0348

Mark mark@fiscalwisdom.com
Teresa teresa@fiscalwisdom.com
Jackie jackie@fiscalwisdom.com
Tom tom@fiscalwisdom.com
Josh josh@fiscalwisdom.com

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.

Name _____ Email _____

Address _____

City _____ State _____ Zip Code _____

Name _____ Email _____

Address _____

City _____ State _____ Zip Code _____

Registered Representative, securities offered through Cambridge Investment Research, Inc. a Broker/Dealer, member FINRA/SIPC. Investment Advisor Representative, Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Chadwick Financial Advisors and Place Financial Advisors and Cambridge are not affiliated. Opinions expressed may not necessarily be those of Cambridge Investment Research, Inc.

Disclosure: Indices mentioned are unmanaged and cannot be invested into directly. Past performance is not a guarantee of future results. This information is for educational purposes and should not be construed as individualized investment advice.

Visit us online at www.fiscalwisdom.com



Connecticut Offices (860) 673-1942
CT Toll Free (800) 843-4513
New York Office (315) 682-0348
NY Toll Free (888) 693-8390



PLACE
Financial Advisors

Please think of us whenever you or someone you care for needs the following:

- Stock option analysis, diversification
- Pensions - qualified and non-qualified
- Family Protection Strategies
- Retirement Income Plans
- Investments & Investment Advice
- Business Protection & Succession
- Retirement Plans
- College Funding
- Tax Savings Strategies
- College Financial Aid Strategies
- Required Minimum Distributions
- Debt & Cash Flow Management
- Employment contract negotiations
- Settlement option analysis
- Financial Advice - hourly or annual retainer
- Fee based investment management
- In depth portfolio & risk analysis
- Estate & Income Tax Planning
- Distribution of Assets – IRA, 401(k), etc.
- Retirement Income–Guaranteed or variable
- Income Replacement Techniques
- Widow/Widower Assistance
- Nursing Home Asset Protection Strategies
- Long-term Care Issues & Strategies
- Key employee retention strategies
- 401(k) & Retirement Plan Rollovers
- Philanthropic gifting & charitable planning
- Trust, inheritance and foundation planning

Mike Chadwick's Money Matters

15 New Britain Avenue. Unionville, CT 06085
860.673.1942
Torrington, CT . Manlius, NY

Chadwick Financial Advisors Place Financial Advisors

