

Harvard Shock

How ironic is it that as we're in the midst of searching for schools we have a great piece of work from one of the greatest schools on the planet. In an area in New England where college professors are mostly on the left side of the spectrum (on a 28:1 ratio) we've got some very surprising data from two researchers showcasing economic reality in a world dominated by theory and idealism. This is the same place that orchestrated the basic framework for the ACA (the Affordable Care Act which has recently been recognized as the Unaffordable Care Act) so it's a very interesting thing to see the gears shift in the hallowed halls of one of America's great think tanks.

The research paper is on the "shocking" discovery that when government's increase the minimum wage it leads to failing businesses. They went across the country and looked at restaurants in San Francisco to see just how well the higher mandated minimum wages are playing out for those in the area that is impacted. The paper has several findings, first the evidence shows higher minimum wages lead to increases in failure rates for local businesses. For each \$1.00 per hour increase in the minimum wage there has been an increase of between 4-10% in the failure rate for the impacted businesses.

They further conclude that if the government raises the minimum wage by 10% there is a 24% increase in failures of restaurants in the impacted geography. Interestingly if we see businesses close this actually hurts the very workers these laws were intended to help, the low income worker. Supply and demand, the basic laws of economics cannot be thrown away simply because we have an idealistic mentality that people should be able to make a living on a job designed to be a starter job and not a long term career. Certainly we have many people who have chosen to make careers out of these jobs

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College Tools

We've helped hundreds of families find the right school and find the money to put the little loved ones through college. Now we're living it with our girls and we're seeing some sides of the equation we hadn't seen in the past. The touchy feely part when you actually visit the schools is what is new to us and quite useful.

We obviously have our powerful internal software and databases that help you when we see you one on one, but there is a lot out there anyone can use that is helpful on many levels, but you'll have to compile the data rather than having it fed to you in a simple report.

Here are some tools we've been using that we'd like to share and see if they can help you with your search or research.

www.niche.com is a great all around site for determining the basics on any school out there, including high schools and local neighborhoods you may want to live in, this goes way beyond just colleges but it is a go to site for schools. They have a cute report card type system showing various categories of the school and how they stack up against the competition. They do a nice job on many levels and basic data points can be found here along with acceptance rates, test score averages, # of kids in schools, types of families kids come from, student body likes, dislikes, personality types and some reviews of almost all data points.

www.collegeexpress.com is a nice site for a lot of the same data but it shines in terms of seeing which school has money for aid, both need based and merit and how much. If you're looking for aid in a particular category this site will show you how much they offer, if any. Many schools only offer need based aid and that is that, others are very benevolent in many areas this will lead you to those schools.

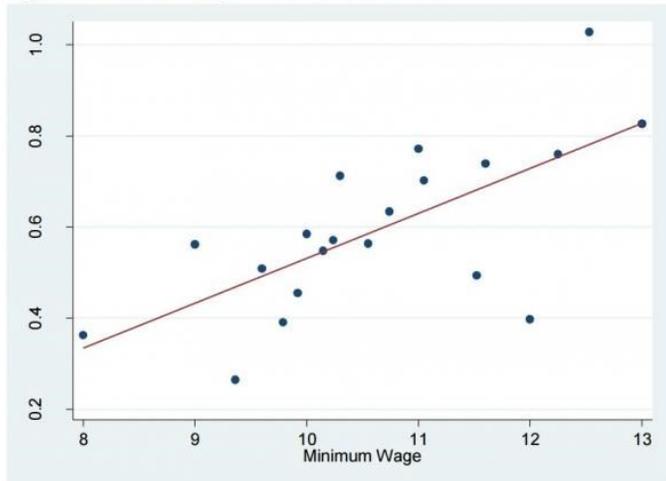
www.studentreviews.com is a very unique site in that it contains some of the same data points we look at elsewhere but its main thrust is student reviews of colleges they've attended. This is particularly useful to get a look past the sales pitch of a college and see what is going on internally with the students. We suggest when you visit a campus pull a bunch of current students aside and ask them what they think of the school, they'll always be brutally honest with you both on the good and on the bad. If the kids will not talk to you, that's bad news so take it accordingly.

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but at no point did anyone force those to make that decision, we have unlimited upward mobility here in America. We cannot force people work to move upward and onward, nor can we force companies to pay more than a job is worth and expect them to remain in business.

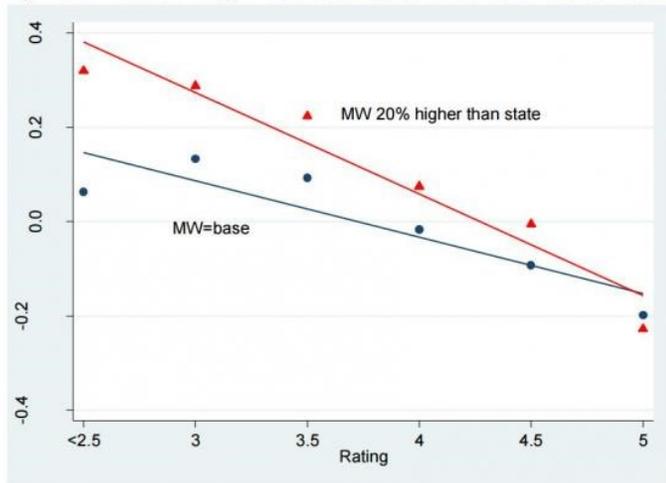
The chart below shows the impact on higher minimum wages and the likelihood of business failure. Thanks to Michael & Dara Lee Luca for the charts and data! ☺

Figure 4. Minimum wage and likelihood of exit



Now we have another chart to share the impact on higher wages on restaurants and other businesses. This shows why the big chains are moving to automated kiosks for ordering your goods, they won't be put out of business but many people will be put out of jobs. How do you like self checkout at the grocery store? If this trend continues you may have to get used to robots at the restaurant? How will that help the low end jobs at all, it simply eliminates them.

Figure 6. Minimum wage increases exit, but more so for worse restaurants



Changing Normal Utilities

Two forces are starting to really change the utility landscape as it has been for man years now. I'm not talking about your traditional power or heat type utilities but phones and entertainment. The two big changes that are coming down the pike are how cell phones are marketed (that's an epic racket) and how entertainment is coming to the consumer. Verizon has posted a first ever subscriber loss this past quarter as more and more people move to what have historically been "alternative" carriers who are far more affordable and do not nickel and dime the consumer, provide unlimited calling, text and data and who are quickly building the quality of their networks to catch up to the big boys. Many years ago AT&T was seeing the land line buinses dying and now the cell phone business probably isn't far away in terms of it's best days are behind it for the big companeis who have created incredbily profitable businesses out of what was just a few years ago a wodnerful new technology and is now an old thing that everyone must have and takes for granted.

The next game changer we've talked about a few times is entertainment and with the many options available today it is just a matter of time before that tv "package" we're all so used to and hate will be gone. The main culprit behind the package is none other than local ESPN who has historically been able to charge crazy rates to the distribution networks and their virtual monopoly on sports allowed for it. To justify these costs, cable and satellite providers have created the packages so the consumer must buy 20 – 50 channels they'll never use to get the ones they really want, ESPN being the big boy in the room.

Innovation is changing the game and now they're laying off people at satellite headquarters and looking for a new direction as the days of charging outlandish prices for sports subscriptions are pretty much over. We've seen that campus engulf roads, neighborhoods and homes as they've been on a nonstop construction spree for 20 years now. As with anything in busiess things change and that is a good thing for the consumer, not a great thing for Disney.

We can't blame it all on ESPN, they're in the middle of it. They are losing subscribers. In 2011 they had 100 million subscribers and now they have just over 88 million. That's a really bad trend, loss of 12%T of your customers in 6 years and prices have just about dobled in that time. See the writing on the walls? The big leagues are the source of the greed, the rights fee's that ESPN will pay to NFL & NBA are over 3.3 Billion for the privledge of broadcasting their content. Looking at all rights ESPN will pay 7.3 Billion in rights fees for the year. With declines in viewership, subscribers and total revenue, the sports business model economic model is simply unsustainable. How much will people continue to pay to watch a game moving forward? Clearly it's a situation that is going to change, who is going to lead this change we'd like to know as we'll be very interested at being investors in that space! ☺

Noteworthy News!!!

- Congratulations to Bethany Yost on the start of her new business, Bethany Yost, LLC!
- Congratulations to Harold Jackson on the start, or should I say launch, of his new business, Stars Branding Network!
- Our condolences to the Grenier family on the passing of Joel, a wonderful man, husband, uncle, brother, grandfather, brother and person.

Question & Answer

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

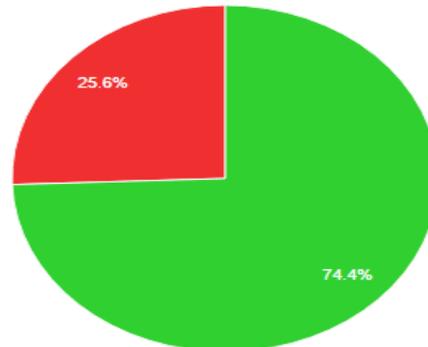
Q: Why do you advise against chasing dividends?

A: I get this one a lot, why don't we just buy a stock, fund, ETF, or any other product that pays a fat dividend and just let it ride? That is a very fair question and I'd be happy to do that if valuations were low to fair today and the global macro picture made sense for a long term hold on financial assets. Today we're in a world where valuations are at on average double normal – that's 100% overvalued. We're also in a situation where the last few years of global economic action has been financed with global mass money printing and whenever we have a debt bubble going to push people into moving forward their spending or activity it never ends well.

Let's look closely at the case of a 5% dividend being paid by any financial instrument. It would be wise to own such a thing if we knew the underlying price of the product was going to be stable or even appreciate over time. If we knew the underlying asset would fall precipitously over time we'd be foolish to buy such a thing. We're in a period of time today where the latter is the real scenario and if we buy something that can lose 30 – 50% and it pays a 5% annual dividend then we must be prepared to wait 6-10 years to simply break even on that endeavor. Of course this asset will likely at some point appreciate again to where it is today but that process of today's high to a low a few years out back to this high could be 10 – 15 years. Many of the things we bought in 08 – 09 when they were dirt cheap are still not where they were back in 05 – 06 and we're now 12 – 13 years past the old highs. We certainly could have held these things a lot longer, but once valuations went above fair value risk becomes too big of a factor to push the envelope. Today the global asset bubble has made people think prices of assets simply go up forever. It's going to be a tough few years for the bulk of the population who cannot see this coming!

Here is a neat chart from this site that shows the percentage of kids who would go back to this school if they had to do it all over again, this speaks volumes for how happy the students really are at any school. It also shows the income the students are currently earning, on average, from a self-reporting standpoint at different stages of post-graduation. We'll use Harvard again here as they're top of mind this month with the minimum wage research.

[View Data](#) or [Rate Harvard](#)
or [Create Custom Ranking](#)
Would Return



74% of students would choose to return to Harvard, whereas 26% would **not**. [Click to find out why.](#)

Harvard Average Job Salaries

\$103,566	Starting Salary ?
\$203,611	10 Year Salary ?

This looks pretty good, 74% of students would come back to this school and they're clearly making a great living right out of school as well as 10 years out of school so the price tag charged here may well be very worth the price of admission.

Now let's look at a few more schools and see a different point of view from kids who have been there, this is a great introspective look at what is really going on within a campus.

The University of Vermont has a 55.3% rate of kids who would NOT return to that school OUCH..., the average earnings 1 year out were \$42,247 and 10 years out were \$156,364.

Williams College had a 35.9% rate of kids who would NOT return to school there and 1 year out kids on average earned \$41,989 and 10 years out \$165,667.

Quinnipiac University has a 45.9% rate of kids who would NOT return and 1 year out kids earn on average \$41,149 and 10 years out \$67,143.

UCONN has a 46.3% rate of kid who would NOT return and 1 year out kids on average earn \$48,671 and 10 years out \$126,667.

Money Quiz



This month's challenge is on college debt. 44 million American's have accumulated how much in student loans between them all? Last month's quiz was won by Josh Smith, the unemployment rate for those 25 + with at least a bachelor's degree is 2.5%. © 04/17/17: 9

Social Tranquility

We're starting to see global rumblings that the social tranquility we've had in many historically peaceful places may be coming to an end. It's always been assumed that for North America and Europe things were pretty peaceful and no real problems exist on a social level. Things are changing in that regard with Brexit, Trump and the widespread actions of the lunatic fringe terrorists around the globe.

The populist notion of everyone agrees on where governments are headed is now obvious that not everyone is in harmony with that thought process. The common rights, wisdom and virtues of the common people are becoming divided in a big way as we see a massive split developing between various sectors of the populations within countries around the globe. The bulk of the globe is run by what we all consider representative governments but when those governments are serving the privileged minority instead of the majority that is when we see the beginnings of what is currently happening, social unrest. Clean the Swamp is so popular because it's crystal clear that this privileged minority are those benefitting the most from the current system.

I was having a conversation with a business owner client this morning who does a lot of government work and he shared a few stories with me on how government operates in terms of absolute inefficiency, redundancies and waste on every level. At the end of the conversation he made a comment I cannot get out of my head "this is why all of our governments are broke." The more I think about this and try to poke holes into the comment I really cannot disagree. We've got a system built on rules and laws but completely lacking common sense. In many areas there isn't a shred of common sense, so we continue to grind down this path. Clearly unsustainable and it appears that it isn't going to change until the masses make enough noise that it gets the attention of the people in charge, or the money simply runs out. The big question is which one will come first? Democracies are like insurance policies, they'll protect the big issues but not cover every little thing in life. As their promotion of systemic debt shows, they're not above distributing the equivalent of poison to their citizens. ☺

There are about 100-150 books on the list of the great books that are thought to constitute the essential foundation of literature of the western culture. Sadly I've only read a dozen of them and now with kids in high school and them whining about having to now read them it's a comical conversation going on in our household. As most kids always complain, why do we have to do this we'll never use this in our lives goes, how short sighted we all know that is. I can remember as a kid in high school other students not wanting to do a lot of assigned reading and also not wanting to do math, proclaiming we'll never use this in life.

Just a few years later when our culture suddenly became obsessed with outrageously loud car stereos the kids suddenly had an interest in math when it came to designed crossover networks, speaker enclosures and power systems for these audio systems that cost more than the cars themselves. I was blessed to be paying attention in class, could easily do the calculations and loved to work on this. In high school the local stereo shop was paying me to install customer's car stereo systems in my garage as a 16 year old. We don't see much of that anymore and I really wish we had a LOT more of it, this is what it takes for the kids to get their feet wet in doing things.

Back to the greats this past week the school assigned the Grapes of Wrath as a reading assignment and in going through some of it with the girls it was like moving time back 20 years and picturing arguably the world's best descriptions of scenes throughout a book known to man. Although it may take some time to understand how to get comfortable with the writing style and keep up with it, the rewards of doing so expand the mind and lift the ceiling on our ability. This is similar to reading legal documents or other supposedly complicated documents or literature.

What do the kids get by not just doing the assignments, but perhaps deep diving into the greats, into math, into history? We encourage not just doing the minimums on anything, but master things and take away from everything you're exposed to the most you possibly can. The minimums are not going to get you to be a self-actualized person or ahead in life, they're going to get you just that, the minimum in life and not many want that. If they deep dive and truly understand, forget mastering, they get a whole lot, they get to understand the history of our culture they get to understand how to think and see things from different perspectives, they get so many things they may not see right now but will help them throughout their lives in countless ways. Encourage expansion of the mind and not only sticking with what you know or like-minded people, grow and learn and push that envelope.

Inspirational Quotes

- Nothing is particularly hard if you divide it into small jobs, Henry Ford
- Nothing is more damaging to you than something you believe is wrong, Abraham
- It's not what happens to you it's what you do about it that makes difference, Wilson Mitchell
- If you want a place in the sun you have to put up with a few blisters, Abigail Van Buren
- Whenever you see a successful business, someone made a courageous decision, Peter Drucker
- We cannot solve problems by using the same kind of thinking we used when we created them, Albert Einstein
- Our aspirations are our possibilities, Robert Browning



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

Kids Korner

Do your kids or grandkids believe in themselves? I'm talking about thinking they can do anything they set their mind to, not just knowing they exist. We've told the girls from day one they could do anything in the whole world, and I think at this point Cup may be mad at me for that because they truly do think they're unstoppable and sometimes that can be a really bad thing for a pretty smart teen who thinks of course they know it all.

It is truly critical that kids do not limit their thinking because they truly are only limited by their thoughts. We have a society that puts labels on everything and that isn't always helpful. The current thinking of everyone is a winner and gets a trophy is also a train wreck for the young people today simply because they cannot face adversity well and that is what truly makes us who we are. How we deal with failure, rejection or anything that is tough in life really shows who we are. If we're always told we're great at everything that is a fallacy land. Anyone that knows me well knows I'm horrible at grammar, matching my clothing, singing and dancing but give me a business problem, math problem or brain teaser and I'll kill it.

Make sure the kids believe in themselves, can communicate that clearly and have the authority to do what they love and be responsible parts of society! 😊

Don't make excuses; make things happen; make changes; make history, author unknown!

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