

Chasing your Tail

It's really comical when you watch a dog run around in circles trying to catch his tail in your living room or in your backyard. I often laugh at this and as I've grown up and observed human behavior I notice that people do this same thing but in a far more complicated fashion. The dog is simply trying to catch something that is moving, not knowing it's connected to his tailbone so he'll never actually catch it unless he's doing lots of doggie yoga or he's a contortionist pooch he's simply not going to catch that tail.

I see humans going after things that they believe will buy them happiness but really will not. It's like they're scratching an itch that is caused by something else. This is often a quest for physical possessions but can take many forms. The people we work with are often quite successful and it's rare to see someone who has done well for themselves financially who doesn't have a lot of possessions. We've tried to keep our lives incredibly simple after witnessing this phenomenon with many of those we work with professionally.

Many of us don't live in a needs world, we very much live in a wants world. We do what we want because we can, we're so far past needs. It's a beautiful thing that we can enjoy the benefits of our society and country. Now this can be taken to a degree with which it's completely unhealthy. We see folks buy bigger homes, multiple homes, have maids and gardeners and helicopters and airplanes. None of these things are inherently bad, but if they're chased for the wrong reason they can wreak havoc on a person's life.

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Eggs

We love eggs. Not only did we grow a simple Easter Egg hunt into a 500 people 20,000 egg madness event in my yard every year for a decade, but we love to eat them too. The hungry and motivated kids would find 100 eggs while the more deliberate ones may find 15 or 20. The lucky ones would be able to find the riddle eggs. We would hide 20 eggs across the property every year where you had to solve one of my riddles to get the proper clues to ultimately find the hidden eggs. These were big ones, painted gold and the size of panty hose containers we comically referred to them as Pterodactyl eggs.

The Docs today we work with tell me that eggs are the best food to eat to build body tissue, they can convert to body tissue easier than most other foods do.

As a kid in high school I had a 1973 Honda Civic. A tiny white little car with two black pinstripes going down the hood. The cute little bugger had no frills but was super cheap and super reliable. A tiny four cylinder motor and lightweight construction allowed me to pick up the rear end when in need. The bad boy had 12" wheels and 15" speakers, it was iconically known as the "The Egg" around town.

Now Del Murphy from Texas tells his egg story, which is far more powerful than ours.

My first Easter egg hunt was in 1957. A first-grader, I lived on a farm outside a small south Texas town. I had no clue about the concept of a bunny rabbit hiding colored chicken eggs in shrubs and clumps of grass. Our class was at Susie's house where, after punch and cake, we were ushered outside to find as many eggs as possible.

Talk about culture clash. Susie's house fronted a park in a middle class neighborhood. Our farmhouse was surrounded by two hundred acres of farm and brush land. My classmates scurried around looking for hidden eggs. I went looking for a chicken coop, as eggs were found in a hen house, not on the ground where coons and dogs could get them.

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The old adage of KISS (keep it simple, stupid) is more important now than it ever has been because the system is so complicated and our lives are so busy. Having more isn't always a good thing and we've seen having more rip people apart. It's ruined many marriages, businesses and relationships across the entire spectrum of what we do. We find it really matters why you're doing what you're doing over what you're actually doing.

We have plenty of families who have true balance, meaning they're happy and healthy, have a solid family, professional and spiritual life. These families are elusive and many of them have a hobby that is healthy and sometimes expensive. Some families love to hike and that's their thing. It's not an expensive thing and it's certainly a healthy one and there isn't much downside to that approach. Some families enjoy boating and they've got a nice ski, sail, cabin cruiser or cigarette boat and that's their thing. Again nothing wrong with that at all as part of healthy overall life, if they can comfortably afford it after they've met their obligations and saved for their futures. Some families love to fly and have a small plane, helicopter or ultralight that they play with on time off and in similar fashion, can own it without any crimping of their lifestyle or future plans and goals.

On the other side of that spectrum we see folks who are trying to live a life they cannot afford with things that are just beyond the fiscal rung they should truly be living at. This happens at all income and education levels. We ironically see this most often in medicine and the achilles heel of the medical practitioner is a big home and a fancy car. That fancy car is typically a 911 Turbo or the like. It's not even that the family cannot afford a really nice car, they can't afford that really nice on top of everything else they're doing with their lifestyle and comfortably provide for the future. Some families have a home that is so large or so needy it bleeds them dry. Some have two homes, some have three and a timeshare to boot.

We've watched families spend more on their cars than we did on our home. Don't get me wrong I LOVE a nice car but I'll only buy it on my terms and never new. You can own very nice things at a very reasonable price if you're a great consumer and a great shopper. The real question here is why are you buying what you're buying. Do you own your things or do your things own you? Very important questions in the psychological game of life.

When I read the newspaper, which is rare and generally only happens on Sunday afternoons when we visit with my in laws. They get the Sunday paper and save it for us as Cup goes through the coupons and I read the rest of it.

One thing I notice with the paper is the front page is chock full of bad news and it's in general negative. Every once in a while there is a very positive article in there but often it's bad news. Something happened in a tragedy, police action, town hall is going after the locals for not keeping their property super clean, etc.

Now when we get into the middle of the paper, and even in the back we get into the positive news and articles. The sports section shows just who is doing well and killing it in sports. These kids are rightfully praised for their achievements and they are a rare breed. One thing I really like about this section is it only highlights those who achieve. The obituaries ironically are full of an individual's achievements over a lifetime.

I look past the bad data on page 1, just glancing through the headlines and not digging in. This is something I do to prevent bad news from entering my mind as I feel that bad vibes only will lead to skewed thinking so I expose myself to good and bad news but tilt the scale towards good, productive and positive news.

Taking away a name and date and since I'm constantly curious I start looking around at famous obituaries as most of what happens local is not very famous.

Here are a few obits with the name and date removed:

Founding Father and First Premier of Singapore

An artist who defined a genre

Titan of boxing in the 20th century

Groundbreaking architect

Who gave up science to be the high priest of Voodoo

Tailor to nine presidents

Pioneer of topless entertainment

The work of Lux Narayan on this very topic with the help of computers generates some interesting facts on how obituaries talk about life's achievements and the descriptions. His program has the ability to take out superfluous words and shows the more meaningful words that show up as descriptors.

Here is what you get as an outcome of that program:



Noteworthy News!!!

- Congratulations to Stephanie Lauretano on the purchase of her new home!
- Congratulations to Jennifer Klein on her new job with the Harlem Childrens Zone
- Congratulations to Jeff McDonald on his partnership with the law firm of Hassett & George!
- Congratulations to the Zinker family on their move to a new home!
- Congratulations to Rick Cornish on his new position with GE!

Question & Answer

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

Q: To what degree with the ultimate corrections magnitude be when it finally comes?

Awesome question, one we often think about in terms of risk management. We all can speculate here and we will not know for sure until it happens. We know things are stretched, we're at 2 standard deviations above normal in terms of the normal valuations for markets. We've had a world where governments across the globe have been printing money for a decade. Our central bank is now cutting rates after raising them just over 1 point with record low unemployment and the strongest economy our country has ever seen. We're in strange times for sure.

Let's look at past bull market runs and subsequent corrections. From this data we can extrapolate just what may play out in the months and years ahead.



Source: Bloomberg, Schroders, as at 30 September 2019. Based on S&P Gross Total Return Index.

We're cautious here as things are stretched. The past big runs in markets like this all suffered corrections of at least 33%. The prior bull runs were not as long as the current one nor were they as severe in magnitude. The past bull runs were all at least 25% less than this one in terms of both length and gains. It's very fair to say we could easily have a 50% correction from here. It wouldn't surprise us one bit to see the ultimate correction fall between 50 – 70%. Who is ready for this? We certainly are! Do not be fearful here, this is where the opportunities come from. Just don't get killed during the fall.

We Love Eggs! (cont'd from page 1)

With no back yard fences, I traipsed across neighboring back yards looking for a chicken coop and finding none. Eventually an adult chaperone noticed me wandering aimlessly and retrieved me. She stifled a laugh when I complained there were no chickens around.

By the time I got back most of the eggs were cached in the children's baskets. I wandered around aimlessly looking at the ground in front of my feet. Suddenly, from out of nowhere this blue and red striped egg rolled down in front of me. As I leaned over and picked it up, Susie complained, "Hey that's my egg. It rolled out of my basket." Nonplussed, I reached over to hand Susie her egg.

Then, seeing my empty basket, she said, "You don't have any eggs, go ahead and keep it. She showed me how to find Easter eggs hidden by the Easter Bunny. She also confided she'd seen her mother coloring eggs the night before and was skeptical a rabbit was involved. She found another egg she charitably gave to me before.

Time was called, and the adults awarded a prize for finding a brown-shelled egg with a yellow "First Grade" painted on it. No one claimed the "Special Egg" prize, so the parents looked in our baskets and discovered I had it. This was the egg that had rolled out of Susie's basket. I was the sudden center of attention and undeserved accolades. Susie just smiled and clapped along with everyone else as I received a chocolate bunny prize.

The grand prize was a pretty, decorated basket given for finding the most eggs. Susie was second, with seven eggs to Melissa's eight. Already guilt ridden for receiving the other prize, I was appalled that Susie had lost again because of the two eggs she gave me. I stood in stark terror expecting her to exclaim that she would have won both prizes, were it not for me. She just smiled and clapped for Melissa.

It was 45 years later before I could manage to tell Susie why she remained so special to me. Her remarkable acts of selfless kindness, as a six-year-old girl at her Easter Party, had been with me that whole time.

Money Quiz



This month's challenge is on jobs. What state in our great nation has the lowest unemployment rate as of August of 2019? 😊 Last month's quiz was won by Kaylani Baxi, 57% of American college graduates wish they didn't borrow so much to go to college. 09:30:19:14

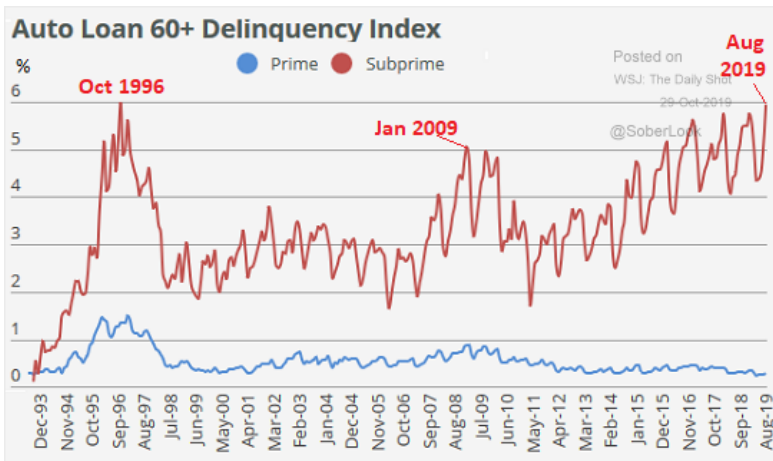
Cars & Loans

Every Monday night at 6 I have to go to a meeting. It's the local Automotive Addicts Anonymous meeting, all of us auto addicts go weekly to stop from losing all of our money on cars. (I'd go if such a meeting existed)

As much as I love them, they're brutally expensive and just not justifiable in most scenarios. I drive an 11 year old car in like new condition and I bought it 2 years ago with 8000 miles for 25% of sticker price. That's a deal. I always buy a used Japanese car that is super low mileage in excellent condition. That's my recipe for enjoying a nice car without breaking the bank.

The average American goes and buys a brand spanking new car and pays top dollar. Once they drive that bad boy off the lot they're down 10% or so, just crossing the street. Now a few years later that depreciation curve slows down, but it never stops.

Prices have risen a lot in the past years as rates are low, but it's all artificial. We have clients buying new pickup trucks for 75k. That's insanity to me I can get a nice foreclosed house for 75k. The easy money we're seeing in cars is starting to catch up to the people who are now behind on payments. Note that we're in bad company and we haven't seen this since 96 or 09, both of which were tough times on the auto industry. Expect nothing different in the coming years. Another telltale sign the cycle is about over is when we see ads for pickups with \$20,000 off sticker. Holy crap how about the guy who just paid sticker a few months ago? Ouch that hurt!



DOJ Probing Metals!

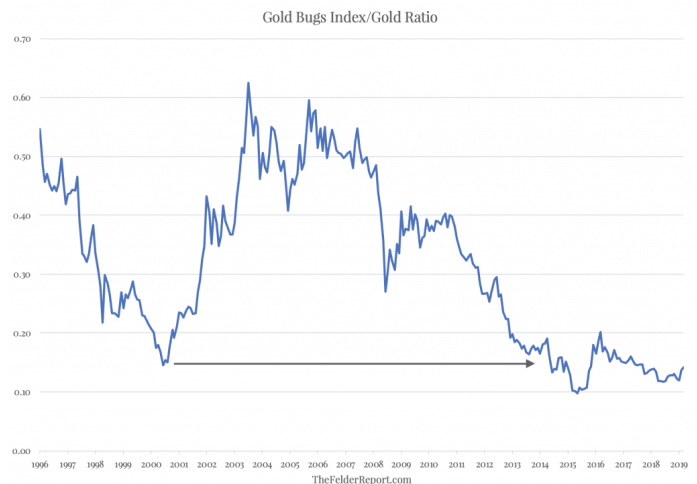
The Department of Justice isn't someone you want knocking on your doors. They never will knock on your doors unless you're a bad actor. They are not big fans of bad actors.

A unique circumstance has fallen upon the country's largest bank, JP Morgan. The Department of Justice is knocking on their door in an investigation into manipulating precious metals markets. We've loved this market for some time and often wondered how the prices were so low compared to other areas of the markets. The past six months has certainly seen improvement in these prices, but the dislocation on a macro basis hasn't even begun the true reckoning process it will in the years to come.

If the DOJ is accurate in what they're claiming JP Morgan may have done, this will uncover a true sad situation. They're claiming the precious metals trading desk is a "criminal enterprise" and they are also going after the unit with the full force of the DOJ and they're also expanding their reach into other markets and financial firms.

The broader investigation includes not only the DOJ, but the Commodity Futures Trading Commission as the regulators work hard to get to the bottom of this.

This action by the DOJ may help us explain the chart below. We've seen a recent turn up in this ratio. The spread between precious metals, miners and equities has never been wider, never. The last time we saw this was in 1999. We were excited about it then and capitalized on it, now we're foaming at the mouth over a repeat of the same process. We expect this time to be more extreme as the mean reversion plays out.



Inspirational Quotes

- Pain can burn you up and destroy you, or burn you up and redeem you, author unknown
- Life begins where fear ends, Osho
- One day, in retrospect, the years of struggle will strike you as the most beautiful, Sigmund Freud
- The deepest principle of human nature is a craving to be appreciated, William James
- All relationship is a reflection of your relationship with yourself, Deepak Chopra
- He who gives to me, teaches me to give, Danish Proverb



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

Here are a few things we've tried to teach our teenage daughters. Now that they're out of the house it is very interesting to see them navigate the world. We'll keep you posted on what lesson got through that ¼" skull and which ones did not! ☺

- We love them no matter what
- Be honest, treat others as you wish to be treated
- A good man will not try to change you but accept you for exactly who you are
- Be a disciplined person in life, physical, fiscal and mentally and it'll reward you time and time again.
- Don't jump to conclusions, seek out the facts first
- Stay clean and free of substances that can ruin your life
- Be a vigorous reader, the more you read the more you know, the more you know the easier life is
- Surround yourself with good people, you are a product of your 5 best friends.
- Laugh a lot, sarcasm is a beautiful thing
- Don't sweat the small stuff, most things are small stuff
- Talk to people eyeball to eyeball
- Have a firm handshake
- Do not live for screens
- Music is one of the best ways to lift your spirit
- Be careful in the car, it is a 4000lb missile under your guidance
- Find your passion and follow it
- Outwork the competition
- Trust your gut instinct, it will not let you down

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