

Retail Store Cards

This is a pet peeve of mine, every store in America wants you to have their store card to get a good deal, or otherwise you'll pay more for anything on the shelf. If we could buy all of our wares in one place this would be simple, but today most of us shop at a lot of different stores. If I had a store card for every place we shop I'd have at least 20 of them, perhaps more. This defines pain! The concept makes perfect sense, the retailer has a definitive list of customers and can keep track of what is selling well, what is not, geographically targeting certain customers with the merchandise they like most, targeting sales, etc. and the list goes on and on as to why this is done. That is all clear and makes perfect sense. From the consumer perspective it is a royal pain in the you know what, otherwise known as a pita! I'm not a big keychain person and I look at many people who have more store cards on their key ring(s) than they do keys. I have a hard enough time just keeping the keys on my ring, those along with the key fobs make the keys seem so big and heavy and cumbersome. I guess you could use them as a weapon if attacked! ☺ I also don't see any need for more than 1 key ring, let alone a plethora of key chains, rings and cards but it is understandable as your keys and store cards count grows, you may need more or bigger rings. Sometime soon they'll be selling the old jailhouse key rings for people to use to carry around their 40 store cards and 15 keys! ☺

I always get the store card as I look for the savings, but on the other end I don't carry the cards around with me. You have a few options to avoid this nonsense of carrying around a deck of store cards to get the best price at each store you shop at. The first method is to ask the cashier to use their card or look you up in their system via phone number, address, etc. This gets you the best deal, but alleviates the associated pain with store card luggage. Next if you have a smart phone, you can download an app that will allow you to take pictures of your cards and store them all in your phone so when you're asked for a card you can call it to the screen. This isn't a bad option as most people have their phones with them all the time anyway. I find that the "ask the clerk" method works 99% of the time.

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Initial vs. Secondary Offerings

There is a huge difference in these two types of offerings so I'll explore each of them separately and we can then compare and contrast the two. An initial public offering is commonly known by the acronym people commonly throw around, the IPO. This is where a company's shares are offered to the buying public for the first time, hence the name the initial public offering. Until this time, shares were only able to be traded privately, between a close knit group of owners and those share changes required legal documents to be signed each time there was a transaction. Determining a value for the business is also a task to be done during these transactions. Often time's people will just agree on a value, sometimes they'll actually hire an appraiser to make the determination for them. This is similar to valuing a home or any other asset you want to sell at this time. These legal deals also happen infrequently and typically for a very specific number of shares or percentage interest in the business. When a business is privately held, there are typically a very small number of shareholders, sometimes just one or two.

Once the company goes public, now the shares are available on the stock exchanges and one can buy and sell with a brokerage account, no legal documents necessary for the exchange of shares. Also, once public you can buy or sell any number of shares instantly as liquidity is plentiful. Now that you have access to a stock exchange and a plethora of willing buyers and sellers you can now transact as many shares as you would like as often as you would like with perfect liquidity. Valuations also change by the second once a business goes public. There is no more getting an appraisal, the market will set the value based on what willing buyers and sellers have agreed to pay for shares live as they transact them.

What happens to the money that is raised in an initial public offering? Shares often go up in value when a company goes public due to the liquidity event. While some IPOs increase significantly and keep going up in value, others end up selling below their offering prices within the year. When the corporation receives the money from the IPO, they typically expand and pour that money back into the business to grow faster than they ever could have if it were a private firm. Some really large firms are still private, such as Fidelity, Cargill, Mars, Publix, Toys R Us, Cumberland Farms, & Koch Industries.

That is the story of an initial public offering; it's only the first time shares are offered to the public. Anytime a company goes from a private firm to a public one, they must go through that process of the IPO. Secondary offerings are whenever shares are issued after the first time.

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Store Cards (continued from page 1)

All of the things we've discussed thus far are the positive aspects of store cards. Let's now look at the negative aspects of this since there is a good and bad angle on most anything in life. Once you get a card and give the store all of the data they require, they will then turn around and sell your information to a database company and with a lot of data about you, charge a small fortune for this list and then you'll be inundated with information from unsolicited venues. Even if you do not have a store card, when you check out many times the clerk will ask you for your zip code. This seems innocent and most, in fact I've never seen anyone refuse, people give their zip code. I give 90210 and it's difficult to keep a straight face, the Beverly Hills zip while I'm shopping in CT, but the clerks are clueless. If they can't figure out the appropriate change from a cash purchase, how are they going to know what zip code this is!

If you give the clerk your real zip code, they now have the missing link to complete your electronic file if you've paid with a credit card, even if you do not have a store card. The credit card company has your name, acct #, address etc. but they don't give the store your home address. By giving the retail store your zip code, you have provided the missing link, they can now cross reference databases and figure out who you are and BAM, now your data is captured and you've become an involuntary part of the American Marketing Machine. Marketing is something our country does very well; in fact we do it so well we should market common sense, personal responsibility and old school ethics to everyone. This is very different from typing in your zip code to verify your credit card purchase, that and your PIN # do not give to the merchant, they stay with the credit card issuer. Ever notice that action is typed into the credit card keypad at the register or at the pump while the clerk will type your zip code into the store computer when they ask for it! Little things make the biggest differences, never ignore the small stuff. I would argue that if you take care of all of the little things, the big things tend to work themselves out.

In an effort to minimize the junk mail, unsolicited phone calls and other forms of minutia in your life, these little things go a long way towards keeping mental peace. We can all use more of that.

We get this professionally as well and you may too if you have any form of professional license in your business or trade. Today 1 in 3 occupations require a license whereas 20 years ago 1 in 21 did. This is a perfect example of government at work here adding red tape and "revenue" in the name of safety, no question. Once your license is registered, your name, address, phone number and even e-mail address is out there for the solicitors who then haunt us with offers of their wares. This is aggravating to say the least and we have no way of stopping it. Companies cannot do this, but of course government can. Nothing is wrong with this at all, but it's sad to see the government with their typical double standards. ☺

Capital Structure

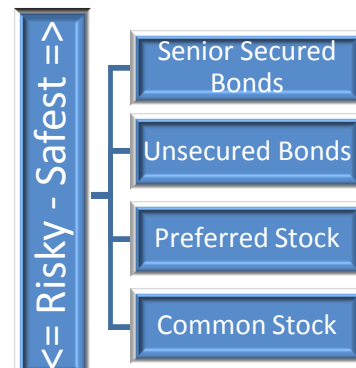
This is how companies are financed and who is entitled to what should something go wrong with the underlying business. Let's first look at a company that manufactures things like CAT, they make all kinds of construction equipment and you see it everywhere as you drive around and see sites under development. If you are a conservative investor you typically buy secured bonds, which are backed by the full faith and credit of CAT as well as something to secure them, typically property or equipment of some sort. Should CAT fail, the equipment is sold at auction and you're first in line to get your money back as your bond was secured by an underlying asset. These investors are known to have a first lien on the assets of a company. Similarly if a bank lends money to you backed by your home, they're the one in the first lien spot on your home if you fail to repay the debt. Unsecured bondholders are next in line, then preferred stockholders and lastly common stockholders have rights to what is left, if anything should things go badly.

When it comes to financial firms like banks, the capital system is exactly the same, but the customers, the bank depositors, are not even in the mix of a capital structure, they're the customers. As governments find themselves in a corner with no room to carry on their fiscal irresponsible ways, they are re-writing the rules of finance to preserve their power. The confiscation of bank deposits to bail out banks is not in the capital structure rule book and certainly does not breed confidence in banking or in government.

If the target industry that were in trouble was construction companies, this business would be like confiscating some of the equipment from the customers of the construction industry. This is not logistically simple or perhaps even feasible with a construction equipment maker, but since the banks have the money; it's a very easy target for weak politicians.

The last time we saw such insanity was here in America when the government bailed out GM & Chrysler, leaving all bondholders with virtually nothing and giving the company to the Unions. Again, not in the rule book of law, but the Unions are politically powerful so they got a big ownership in a company with virtually no debt post-bankruptcy. Scary this goes on today and wrong on every level.

Here is a quick chart on the capital structure of a typical corporation, note customers (depositors) and unions are not in the capital structure anywhere!



Noteworthy News!!!

- Our best wishes to Christine Place for a smooth recovery from back surgery! ☺
- Our condolences to the Schmidt family on the passing of Jaysen, a wonderful man, son, friend, brother, uncle and person.
- Congratulations to Julie Tracy on her new job! ☺
- Congratulations to Diana Lippi on her recent retirement! ☺
- Congratulations to the Turano family on the birth of baby Kayleigh, the first little princess for the family! ☺
- Congratulations to the Hotchkiss family on the birth of baby Callahan (Callie Boom Boom), the first little princess for them too!
- Our condolences to the Cilfone family on the passing of Tom, a wonderful man, father, son, friend, uncle and person.
- Our condolences to the Braun family on the passing of Linda, a wonderful woman, wife, daughter, sister, friend, aunt and person.

Question & Answer

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

Q: What is the government in Cyprus doing to the bank depositors?

This is late breaking; in fact this just came about over the weekend of March 16th-17th. This little island Eurozone country is in bad shape, just like most of the others in the currency block and in order to get the next round of bailout funding, the Eurozone and IMF is insisting they come up with about \$5.8 Billion to help themselves. The government believes that the best place to find this money is to impose a one-time tax on bank deposits. The plan is to confiscate 6.7% of all assets in accounts with less than \$100,000 Euros and 9.9% of all assets in accounts with more than \$100,000 Euros. I'm not making this up, I couldn't, and it's unbelievable on every level.

It really is hard to believe in 2013 we have a government looking to confiscate assets from private citizens, especially those who are responsible. This is the problem in the world today; we have a crisis of responsibility. We reward sloth and irresponsibility and we placate absolute stupidity on every level. I see it in endless places, in stories I hear from local physicians and their patients to those who go to Social Security office upon retirement and see the people there, to our state workers and other healthcare providers who see systemic abuse daily. Pay your mortgage and be responsible, just keep paying. Don't pay and don't worry about it, you can live there for a few years for free. Every kid gets a trophy just for showing up because we don't want to hurt anyone's feelings. Folks, we have to get real here, this is a joke and its beginning to cut into the fabric of our society, making for a bunch of wimps. It's time to get back to basics; everyone is part of the society and responsible for his/her actions. Safety nets will continue to help those who are truly incapable of helping themselves; for everyone else work it out and don't be looking for handouts; it should be a matter of principal.

IPO vs. Secondary (continued from page 1)

This happens often and for many reasons. A company may need to raise more capital for expansion, investment or perhaps to buy another company or competitor. This is commonplace in the world of business on a day to day basis. Corporations have many ways to raise money, they can borrow it from a bank, sell bonds, do a secondary stock offering, etc. All of these are perfectly fine reasons for a secondary offering. Many times a company will offer stock through a secondary offering when the share price is at a very high level, so they can raise the largest amount of money possible.

Sometimes secondary offerings are performed to allow executives of the company to sell their shares of stock that they own, which they typically own in very large quantities. Many executives are paid in stock so they develop very large and concentrated positions in these companies they run. This also happens to very large, institutional owners who own a large percentage of the outstanding stock. We have, at times, owned very large percentages in single stocks but rather than sell through secondary offerings, we just sell a little bit each day for a few weeks and that is how we reduce or eliminate our share count over time, rather than in one lump sum. This is a real cause for concern, especially when markets are at high levels as they are today. If large owners or executives are selling their shares now, it is likely the future doesn't look that rosy for the company, the industry or market in general. People who run the organization know everything about it, not just what is published in quarterly reports and annual books. This is something to watch closely, as we always do in an attempt to glean clues as to what the future may hold.

We're seeing many of the biggest and best companies have an awful lot of secondary offerings of late, which gives me chills. We're simultaneously seeing the ratio of insider buys to insider sells reach an all-time low, which means for every share of stock and insider is buying, another insider is selling 50 shares. This too is a scary statistic coming from the people who know best what the future looks like in their organization. This is the polar opposite of what we saw in March 2009 when the markets were at multi-year lows. At that time insiders were buying shares like mad, the reverse was true at the time, and the ratio of buyers to sellers from within the walls of large corporations was at all-time highs. Time for caution right now, this is not an environment where you want to assume a lot of risk.

Watching how the market absorbs secondary offerings is also a great tool to see how the demand for a particular stock is at a deeper level. Secondary offerings can make or break a stock's run, depending on how it is received by the market. We've recently seen big run ups turned into big dips as the management team has unloaded not one, but several secondary offerings in certain stocks on the market in just a few months' time.

The opposite of a secondary offering would be the buyback of shares, which also happens often with many profitable firms.

Money Quiz



This month's challenge is on the real estate market. The average home price in North Dakota increased 25.9% over the past 5 years, not annualized. They are being fueled by the oil boom there. The average home price in Nevada declined by 44.4% in the same period, fueled by the bubble popping. What was the average **decrease** in home price on the average home in America in the past 5 years, not annualized, but in aggregate? Last month's quiz was won by Ron Stadalnick, 19% of American's receive some form of payment from the Social Security Administration. The market isn't convinced the current economic strategy is a winning one! Winner goes to Ruby Tuesday on us! 03/11/13: 07

Government Efficiency

Did I actually write those two words in that order while being serious? I think I did and for good reason, the Social Security Administration has suspended the annual mailing of Social Security statements to each of us. We can now all go online and view our statement and download and print it if we desire, for free. We're all used to the 4 page green and white statement coming around our birthdays and now it's online for all of us. They've been doing this since 1999 and have sent out mailings every year to one hundred million Americans. This will save the government 60 million annually in mailing costs (it's good to see there isn't any nepotism between the Social Security Administration and the Postal Service! 😊) plus about \$100 million for printing and administering the program. My hats off to big government for doing something logical, common sense based with absolutely no downside and huge savings for all of us who pay to run the government.

Don't fret, if you're over 60 and do not go online (really) then you will get a paper statement for a few years just so you don't forget to apply. That's not going to happen, but this is a nice intent. Also, people will get one paper statement when they reach age 25 to show them it is available, another nice touch. 😊

These statements are invaluable tools and I urge each person to go online and create an account, a secure account with the extra level of security so you'll know if anyone logs into your account. Scary to think when you login the information they already have about you and ask you to confirm so they know you're you. Obvious things like your income from last year's tax return or W-2, but then credit card numbers to confirm identity – Big brother is here, George Orwell was right in 1984! You can also now apply for benefits online, no more going down to the office to witness the madness. To create your account, here is the site:

<http://www.socialsecurity.gov/myaccount/>

Little Things, Big Impact

How does your day unfold when you get home from work? For me, I pull into the garage and head inside to hang with my 3 girls, my best friend Cup and the 2 little sarcastic princesses. When I get to the stoop in the garage and before I open the door to my home, I try to have my best fun and bubbly self-ready for the most important part of the day, being with the family. No matter how my workday went, and I'm blessed beyond what I deserve and my workdays are usually great outside of the past year, I try to be my animated childish self for my girls so they have a pleasant evening. (Thanks Jay, that's from you about 15 years ago!)

For a few days we've been having issues in our garage with the objects on our shelves mysteriously falling to the ground. I of course assumed the girls were just playing in the garage and it happened to be the wake of their games. After inquiring with them and hearing they hadn't been playing out there or messing around, we were left with a mystery. If it were April 1st I'd know exactly what the cause was, but this was 2 days of mystery and after I picked everything up the first day, other things came down the next day. How were all of these little things ending up on the floor of the garage instead of being on their appropriate, labeled space on a designated shelf? I know, type A, sorry I cannot help myself. We assumed a little critter was in our garage and looking for the radiant warmth from the house. Squirrel, possum, etc. had to be the culprit, but I couldn't find anything.

The next day we came home I pulled into the driveway, got ready to back into my parking space in the garage and the girls got out of the car just before the car nears the garage entrance. They're heading into the house so I could back in tight to the east wall. As I start to back in Cup suddenly said "Babe, stop" and then pointed out we have a friend sitting on the van who was somehow trapped in the garage. I then hopped out of the car and go for the camera in the house, hugging the walls as I get to the door as to not scare our friend away. He didn't move a muscle in his body as I proceeded around him, but watching his head spin 360 degrees is insane. Once I got the camera and re-entered the garage he stayed for almost a minute so I could snap a few great shots of him. Sammy then approached him directly and he took off. What a joy this was to have a wild owl come in for a visit. He's welcome to live in my garage as a garage owl, why not there are barn owls!



Inspirational Quotes

- My son is set to rise again, Peter Ustinov
- I'm not afraid of storms, for I'm learning how to sail my ship, Louisa May Alcott
- What seems to us as bitter trials are often blessing in disguise, Oscar Wilde
- All who have accomplished great things have had a great aim, have fixed their gaze on a goal which as high, one which sometimes seemed impossible, Orison Swett Marden
- They can because they think they can, Virgil
- Impossible is a word to be found only in the dictionary of fools, Napoleon Bonaparte
- A major part of the meaning of life is contained in the very process of discovering it, Ira Progoff
- IF you learn from defeat, you have not lost, Zig Ziglar
- For the uniqueness of man lies in his capacity for self-transcendence, Ruth Nanda Anshen



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

**Don't make excuses; make things happen;
make changes; make history!**

Kids Korner

We spent the day of March 16th at the Mohican Sun Casino watching the championship basketball games for most of the school classes in the state. Cup, Sammy & I were there for about 14 hours and it was a great day, except the casino makes you walk through the outskirts of a smoke filled gambling house (repulsive in every way) to get to the arena. The part I want to share with you is how my 11 year old Samantha thinks.

We changed seats a few times between games to get a better vantage point and she found \$25.00 in between a few of the seats. The original occupants were long gone so she couldn't return it. She then decided to take some of her new finding and walk down to Krispy Kreme Donuts by the parking garage and buy a dozen donuts and then come back and sell them in the arena for a quick profit; her target was 500 youngsters from Fairfield Prep. Her plan was sound and her target market was genius. On her return trip they didn't allow her to bring the donuts into the arena so her plan was foiled.

Despite her setback I was so proud of her, not only did she find some money, which is a huge blessing, but then she decided to compound it and not spend it. This child obviously lives in my household and I hope more kids think this way; it'll make for a better future for the country. ☺

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