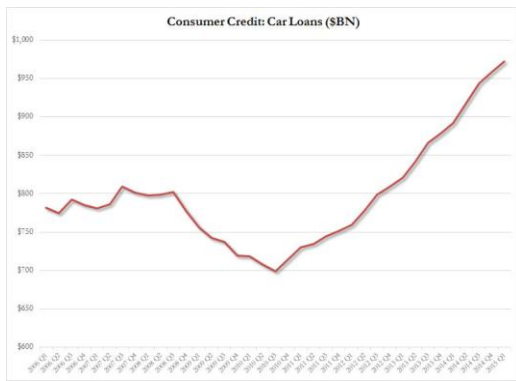


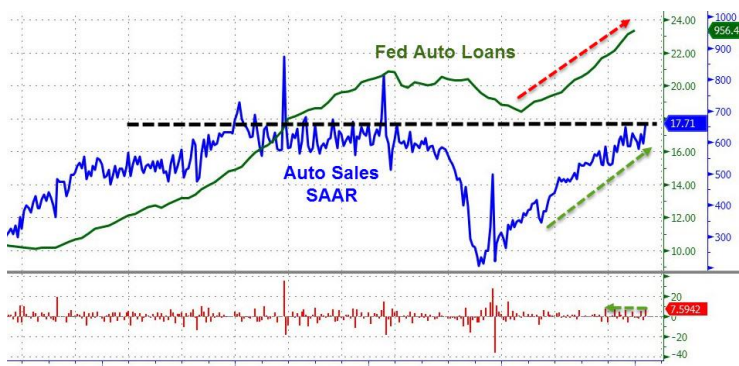
Chasing Classic Cars

This is a cool show but a hot topic people need to pay attention to. With costs going up exponentially in the automotive and academic areas people need to think clearly about how they handle these costs and what decisions they make around them. Both areas are being funded mostly with loans today which is an issue purely from the sustainability perspective.

I love both of these topics but let's look at cars today. Here is the aggregate consumer credit for car loans over the past 10 years. After the great recession we've seen auto loans explode as have the prices of vehicles.



Loans have exploded so we'd expect sales volume to be exploding as well but this isn't happening. Sales are approaching the highs from years ago but they're mostly financed. Here is a graphic showing the loans to SAAR (seasonally adjusted annual rate) of sales showing a different story.



INSIDE THIS ISSUE

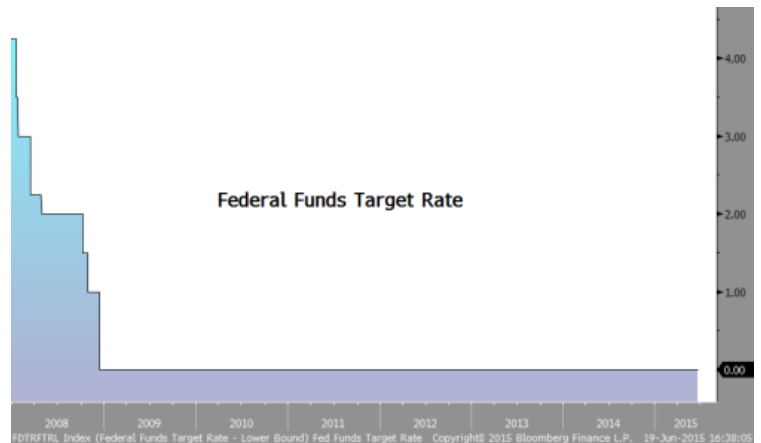
2. Chasing Cars(cont'd); Laughing it Away
3. Noteworthy News; Unemployment; Yield
4. \$ Quiz; Packaging Tricks; News Headlines
5. Inspirational Quotes; Kids Korner

Reaching for Yield

This is what investors are doing today in an effort to combat the zero bound rates we've seen for the last six years. The bank pays you nothing so people reach for higher yielding investments, here is a graphic of such upward reach.



Now we see what interest rates have looked like for the past 7 years and you can get a better understanding of why people are doing this. The common sense decision is that you want to earn something, and if you cannot get any yield in a bank you take the next step and reach beyond the bank. What isn't so common sense is how this reaching for yield action is not only increasing yield, but is exponentially increasing risk. The yield may go from 1% to 5% but risk may have also gone up 300% or more and people don't understand that aspect of it. Here is the federal funds target rate over the past 7 years.



Reaching for Yield, continued on page 3

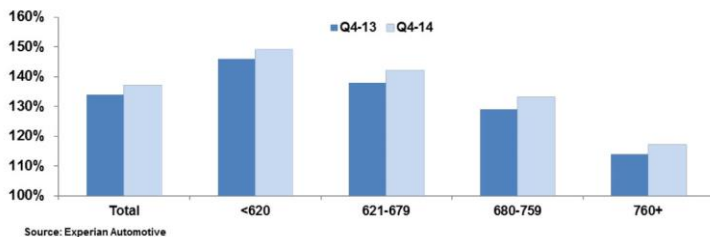
Chasing Classic Cars (cont'd from pg 1)

As much as I love cars it's very important to look at the metrics of what is happening in the industry as far as prices and lending trends. The prices are going up a lot and the consumer isn't flush with cash, so the financing has taken up the slack in the difference. This is also happening in higher education, we'll cover that in another issue. The auto loan industry today is essentially right where the home loan industry was in 2006. Back then they were lending money on homes with easy underwriting, all you needed to do was fog the mirror and you could get a loan because the thought was home prices only went up. We've now come to realize this isn't the case and lending in that area has improved substantially. Fast forward to 2015 and the same tactics are being employed in the auto sector.

Experian has recently reported that in the fourth quarter of 2014 the average Loan to Value ratio for auto loans was 137%. This is just like real estate in 2006, they'll lend more than the value of the home. The lending comes as people have come to value their cars more than their homes and they make the payments and tend not to default on car loans. 100% financing is popular today and as long as people keep making their payments that will continue to be. I'm blown away by the speed at which lenders have gone back into a pattern that proved to be so destructive just a few short years ago. People's memories when it comes to financial times is very short, too short in fact.

Now when it comes to credit the system goes from 350 on the low end to 850 on the top end. The low credit people are considered highest risk borrowers and vice versa. We can see from the graphic below that the average loan to value ratio for a top tier borrower (credit 760+) is at around 115% today, higher than it was last year. For the 2nd tier borrower, it's around 135%, again higher than last year. These two categories of borrowers will not likely see many defaults as they've proven reliable with solid credit scores unless something really out of the ordinary happens.

Figure 24: Average Used Car LTV by Credit Score Range



From the banking perspective I'd be a bit more worried about this than from the consumer perspective. Some banks specialize in auto loans and this is an area where things are likely to get ugly in the coming years. I'm a huge car lover, but I tend to always buy a reliable car used and drive it forever. If you go this route you can get a great car at a good value and get a lot of value out of it. The manufacturer would of course rather you buy a new one every few years. How will you do it moving forward?

Laughing Away Issues

Much easier said than done of course, but laughter sure does help us in many ways. We all have stress and issues we must deal with, but the more we laugh the better our lives are, it's a researched and statistically proven point.

The medical community says the laughing lowers blood pressure. I'm the wrong guy to explain the physiology of that but I can tell you gut busting laughter just feels good all over. Laughter is truly a good ab workout if you do it really hard and for a long time. I have fond memories of laughing so hard and so long in class as a kid my abs were sore for days afterwards. We were very blessed to have MANY classes and experiences like this. Some classes were just funny in general and some were made funny by the antics of some clown or otherwise sarcastic player in the group. Yes sometimes that sarcastic clown was me, guilty as charged! We'd make fun of anything, the way someone spoke, what they wore, something in the books or the media, it was our own private version of comedy club in the schools we inhabited at the time. This continued right through college and it still exists today in the office. Now it's not as often and the things that are comical are mostly in the world and often in the political theater we call the government. Email is now a wonderful tool that makes us laugh, so much we've created some comical acronyms for what emails do to us. I can't tell you how many times I'll see an email that is truly hysterical and I will laugh out loud! Thanks to our kids for LOL, ROFL, LMAO, etc.!

Laughing improves cardiac health is what the medical people claim, it's also worth big money as a hysterical laughing episode apparently helps the body create over \$100,000 worth of drugs. Triggering the release of powerful drugs all due to laughter? I've also read a similar response happens when we ride roller coasters or drive with me! Laughter supposedly activates T-cells immediately so when we laugh we can do a better job of fighting off sickness or colds. Perhaps when we feel a cold coming on don't reach for the zinc or other cold remedy but go to a comedy club or watch the funniest movie or show you know of. My kids watch a whole lot of nonsense on television aimed at teens but one thing I truly like that they watch is Impractical Jokers. If you haven't seen it record it and check it out, it's pretty hard not to laugh at the antics that go on with these guys. I'm often blown away at what people will tolerate in their daily lives.

Kids may be happier and less stressed out just based on how much they laugh. Children laugh 400 times per day and we only do it 17 times per day, on average. If it can raise your spirit for just a few minutes, take it as a priceless give. Sarcasm works and most comedy is a play on it in one way or another. We've got great technology today so you can surround yourself with shows, videos, books, etc. that will make you laugh and spread the endorphins. Laughter has the ability to reduce pain in a more powerful way than morphine. I've never had the latter so I'll take their word for it. The old adage that laughter is the best medicine probably is in fact very true.

Noteworthy News!!!

- Congratulations to the Brown family on the purchase of their new home! ☺
- Our condolences to the Sekorski family on the passing of Linda, a wonderful woman, wife, sister, mother, aunt, and friend.
- Our condolences to the Guastella family on the passing of Grace Marie, a wonderful woman, wife, sister, mother, aunt, grandmother, great grandmother and friend.

Question & Answer

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

Q: With the unemployment rate so low why are so many people out of work? I thought when unemployment was at 5% or so everyone who wanted a job had a job!

This is a very fair observation and to clearly understand this problem we must dissect the numbers a bit and also understand the government tweaks the data. Tweaking could be too kind of a term, some argue they're manipulating the data to fit their needs and I'd hate to think it's true but it's an argument we must remain open to. The data has been changed so much over the past few years anyone who has a loved one, friend or relative in the business world knows there are a plethora of good people out of work not by choice.

There are a few moving parts that have been changed over past 4-5 years to make the unemployment rate look fantastic on paper but be painful in reality. The first component is the labor force participation rate, the % of people who are looking for a job based on our population. It's at record lows because the government claims that once someone has been out of work for so long, they're simply out of the workforce. Obviously this is nonsense and some months they'll take 500,000 people out of the calculation. The other huge component of this situation is the number of part time jobs and so called "self-employed" jobs they now count as full employment.

The government body who calculates this is called the Bureau of Labor Statistics, commonly known as the BLS. Many in the business community have begun to call them the BS agency as the data is very much in question. It is very fair to say many that are not fully employed are still looking, and if we add back in those who would like a job the real unemployment rate is likely 11% +/- . That's a far cry from the 5.3% we see today, which is just a skoosh away from "full employment" as defined by the Fed.

The jobs they consider to be full time are also in question as someone who goes from a corporate management job to a part time bus driver, server or retail worker is in no way fully employed or employed to their potential or liking. The people who sell some items on EBay or Etsy and earn \$1500 annually are also now considered fully employed so as you can see there is a fair argument to be made for the data we're presented with today. Only time will tell, until then, it's smart to be skeptical of the Cool-Aid! ☺

Reaching For Yield (cont'd from page 1)

The sad part about this whole situation is that it's one where the politicians (in this category I now include the Fed as well as the Supreme Court even though that's not how it is supposed to be but it's how they're acting) are making people so uncomfortable by keeping rates so artificially low for so long they're forcing people to make decisions they'd never make under normal circumstances. The risks people are taking they're not able to assess properly because things are so distorted in the financial world all around.

The risk for yield has taken many forms from going out of guaranteed accounts into risky ones, from safe bonds to junk bonds, from bonds to funds, ETF's and stocks, etc. As people reach out on the plank for higher yield, the risks are also going up often exponentially. The plank is the best analogy I can think of here, keep walking further out on that board hoping to get a bigger yield (bounce) and eventually you'll fall off into the water. I've had countless people come to me in the past few years saying we cannot live on our interest anymore. The CD that used to pay 5%, now it's renewing at 0.50%, how will we meet our bills? This is also happening in other areas, people are seeing temporary money being made in asset bubbles and for the time being, they think they want part of that madness. Believe me, you want nothing to do with the madness. We're also seeing good companies with solid balance sheets and sales go down in value where companies with no assets, no sales, and no viable business plans shares go up two, three and four fold.

The current world order of wrong is right and right is wrong doesn't last so don't get sucked up in the drama. We all know the math has to make sense at the end of the day and it's just a matter of time before common sense comes back to rule the world.

Many investors are just plain old frustrated with 0% in the bank so they're reaching for yield without an understanding of the risks they're taking. There is a lot of debt in the system today, more than there has ever been before. The government is further making a mockery of financial markets by bailing out everything and throwing money at any problems that exist. This is like putting a band aid on a bleeding jugular, it's not a true solution.

The risk and reward system today is so skewed we're seeing bonds in many places paying negative yields. This means the price of the bond is so high today even when you consider the coupon, the overall interest rate is negative. This is true in many cases here and in Germany. We're also seeing typically "safe" assets such as US treasuries gyrate like we've never seen before. In the past few years the 20 year treasury has gone up and down over 25% a few times while the yield is roughly at 3%. If you bought a 3% yield item and it subsequently lost 25% you're still down a whole lot. The bottom line is this is a time for caution, not reaching for yield. Times like this are far and few between, but we're in uncharted waters financially and the main decision when investing is what are you paying for the asset. If you can buy it right there is generally positive outcomes, if you buy it wrong it can get ugly very quickly. Don't fall asleep at the wheel. ☺

Money Quiz



This month's challenge is to quantify how backwards the year to year relationships of returns can be. Last year's best performing S&P 500 stock was down 12.4 % this year. How much is last year's worst performing stock up this year? Last month's quiz was won by Michele Gaffney, Healthcare spending per capita in the United States is +55% higher than that of neighboring Canada. Winner goes to Ruby Tuesday on us! 06/01/15:5

Packaging Tricks

You need to be a smart and vigilant consumer because the companies are slick today. People have noticed the prices of food items on the rise lately and the reality is they're probably rising a LOT more than you think. The price changes you see are obvious, if a gallon of OJ is a lot more, there is no question the OJ is more expensive. What about when prices don't change at all but package size does?

People don't often think of this and I've noticed it in our lives in a few areas. Feel free to reach out to us where you've seen this in other areas we're unaware of. The ice cream you used to buy was a 2 quart or half gallon container. You're now buying a 1.75 quart container for likely the same price but it really equates to a 12.5% stealth price increase. The black pepper you're buying really does have 25% less black pepper inside. The Slim Jims are smaller (they're taking them to court over it) and there is more air in the potato chips than ever before.

They call this weight out in the chip industry or sheet out in the toilet paper business when they sell you a roll with a lot less sheets than the old roll. There are rules aimed at the "slack full" packaging industry and we're seeing some action there as of late. It's a very tricky thing when the business changes the packaging of your products. Ever notice the huge lump in the bottom of many containers to make it look fuller until you discover the lump? I've noticed it where it smells, right in my armpits. Check this out, from the outside and through and X-ray this may have gone up about 50% in price:



June 2015 Headlines

Here are a few media headlines I read today and thought to myself, why on earth are we putting this drivel in the headlines of our great country? I clearly don't have the answer to why we do this or why it works for media outlets but I hope and pray it changes in time. Apparently the more insane or off the wall the headline or news the more it sells. It's amazing just how much we see every day as we go about our lives. We're exposed to tons of messages as we read the paper, listen to the radio, go to work, read online publications, search for information, etc.

- Way to go Detroit, no murders in 36 hours (really?)
- NAACP leader quits amid race faking scandal
- Things you didn't know about Subway
- Bit his whole arm off
- For First Church of Cannabis, Ganja is Godly
- Greece deal too late! (just get this over with at this point)
- Brian Williams news career is probably over
- Data warehouse raises healthcare.gov privacy concerns
- Lawmakers seek passage of Hillary Law to prevent corruption
- NBA rookies aren't stupid with their money (nor are they modest)
- Nude tourist jailed
- Canada just legalized Cannabis oils & edibles
- Warrant issued for 75 year old woman for unmowed lawn
- Police take down two young girls lemonade stand for no permit
- Selfie causes car crash death
- Is Russell Brand the father of Fifi Box's baby (who is this?)
- Miley Cyrus dances around in Zit cream after getting naked
- Leave God out of it (this is the root of most of our problems today)
- Why Islam forbids images of Mohammed (hello, this is America!)
- Kylie Jenner headed for Britney style breakdown (shocker)
- Only 16% of Baltimore teens have married parents (2nd biggest problem today)
- Court rules transgender inmate to get paid for gender surgery
- This chick messed up my Lambo (Lamborghini)
- Minneapolis schools ban suspension of minorities for infractions (genius)

Inspirational Quotes

- Holding on to anger is like grasping a hot coal with the intent of throwing it at someone else; you are the one who gets burned, Buddha
- This world is but a canvas to our imagination, Henry David Thoreau
- A person who never made a mistake never tried anything new, Albert Einstein
- The results you achieve will be in direct proportion to the effort you apply, Denis Waitley
- I've failed over and over and over again in my life and that is why I succeed, Michael Jordan
- It's a rough road that leads to the heights of greatness, Seneca
- Freedom is nothing but a chance to be better, Albert Camus



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

Kids Korner

Treating the kids consistent is a very big deal that we cannot over emphasize. If you tell them one thing and do not stick to the game plan or treat one child different from the other it's almost guaranteed to cause problems. We see this often where for whatever reason the parents say one thing and do another, don't draw a line in the sand and treat one kid one way and other kids another way entirely. This is often difficult to see when you're in the situation but simultaneously quite obvious when you're outside of the situation entirely. What you're telling the kids is its okay not to be consistent or fair and once they see this behavior, regardless of the words emanating from your lips, they'll know you don't mean business and push limits. This often is the first step down a very dangerous road that can lead to some serious trouble so it's critical we're fair and tough on them. It's good for them to have rules, have to earn it all but we must deliver a consistent experience!

Connecticut Directory (860) 673.1942

Mike
Michele
Andrea
Betsy
Kerryanne

mike@fiscalwisdom.com
michele@fiscalwisdom.com
andrea@fiscalwisdom.com
betsy@fiscalwisdom.com
kerryanne@fiscalwisdom.com

New York Directory (315) 682.0348

Mark
Larry
Josh
Jackie
John

mark@fiscalwisdom.com
larry@fiscalwisdom.com
josh@fiscalwisdom.com
jackie@fiscalwisdom.com
john@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
- ❖ Divorce or Separation
- ❖ College Financial Aid Strategies
- ❖ Tax Savings 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

