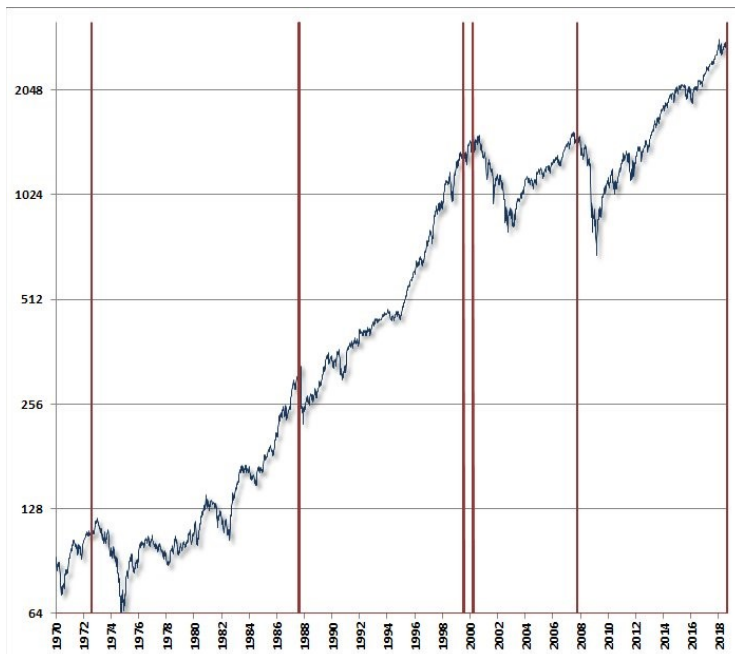


## Rare Markers!

We are seeing a lot of things in markets we do not see very often. The marks of danger ahead or a trap door just around the corner are available if you're paying attention. This market has been sneaky, very very sneaky in that fewer and fewer stocks are powering the advance. We call this market breadth but there are a few tools we use to track what is going on inside the markets.

Here is a tool from Hussman Advisors that tracks when markets are up in the face of negative market internals, yield of bonds over stocks, over bullish conditions. We've seen this only at market tops in the past 50 years.



Continued on page 2, Rare Markets

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## 1000 Marbles

The older I get, the more I enjoy Saturday mornings. Perhaps it's the quiet solitude that comes with being the first to rise, or maybe it's the unbounded joy of not having to be at work. Either way, the first few hours of a Saturday morning are most enjoyable.

I'm a Ham radio operator and spend some time working with radios and electronics. So when I heard this story it really made me think! I hope that you will find some application in your own life as well...

A few weeks ago, I was shuffling toward the basement shack with a steaming cup of coffee in one hand and the morning paper in the other. What began as a typical Saturday morning, turned into one of those lessons that life seems to hand you from time to time. Let me tell you about it.

I turned the dial up into the phone portion of the band on my ham radio in order to listen to a Saturday morning swap net. Along the way, I came across an older sounding chap, with a tremendous signal and a golden voice. You know the kind, he sounded like he should be in the broadcasting business. He was telling whoever he was talking with something about "a thousand marbles."

I was intrigued and stopped to listen to what he had to say. "Well, Tom, it sure sounds like you're busy with your job. I'm sure they pay you well but it's a shame you have to be away from home and your family so much. Hard to believe a young fellow should have to work sixty or seventy hours a week to make ends meet. Too bad you missed your daughter's dance recital."

He continued, "Let me tell you something Tom, something that has helped me keep a good perspective on my own priorities." And that's when he began to explain his theory of "a thousand marbles."

"You see, I sat down one day and did a little arithmetic. The average person lives about seventy-five years. I know, some live more and some live less, but on average, folks live about seventy-five years."

"Now then, I multiplied 75 times 52 and I came up with 3900 which is the number of Saturdays that the average person has in their entire lifetime. Now stick with me Tom, I'm getting to the important part."

"It took me until I was fifty-five years old to think about all this in any detail," he went on, "and by that time I had lived through over twenty-eight hundred Saturdays. I got to thinking that if I lived to be seventy-five, I only had about a thousand of them left to enjoy."

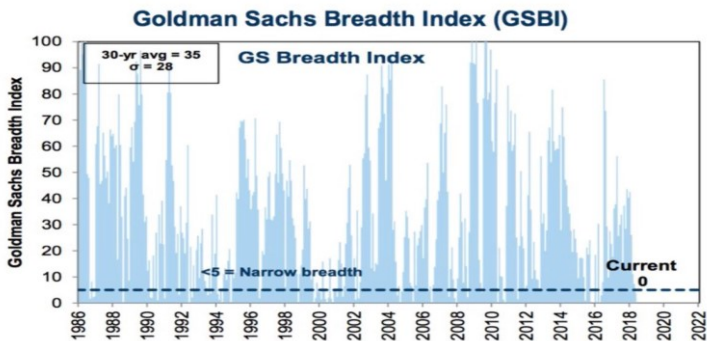
Continued on page 3, 1000 Marbles!

The next data set comes from our friend Dana Lyons. He's got great charts! This shows exactly what it is measuring, note the only other occurrences were at the top in 1999 and in 2007. Bad Company is not only a band, but an era to be reliant on long only stocks. We're seeing this a lot in mid 2018, markets up and the VIX up simultaneously. Some smart people are buying protection. Who isn't paying attention to this?

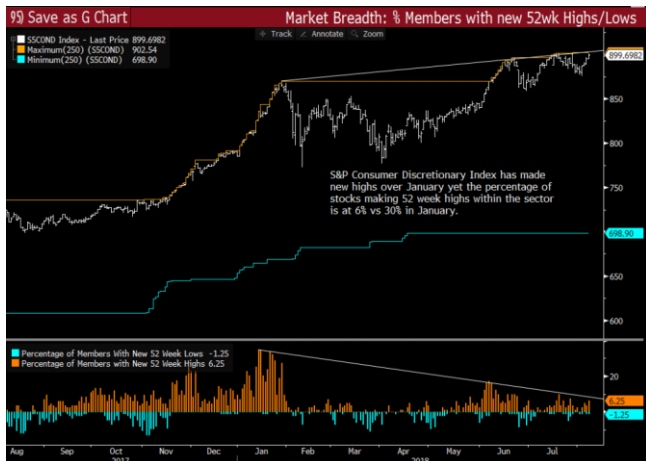
Another Volatility Divergence?



Now let's dig a little deeper on breadth. This is a measure of how many stocks are making new highs while the market is. The number is not many. We know the folks at Goldman are no dummies, and they're showing a zero new all time high reading. SCARY folks....



Our friends at Bloomberg show 6% of new highs, vs 30% in January, and 50%+ in healthy markets.



We all watched in amazement in the early 2000's when people were buying homes we all knew they couldn't afford. They were getting loans with bad credit, no jobs, no down payments, it was sheer lunacy. Fast forward to 2018 and the real estate market is more normal, there isn't too much craziness going on, they're allowing loans with no skin in the game but the rest of the process is pretty cleaned up.

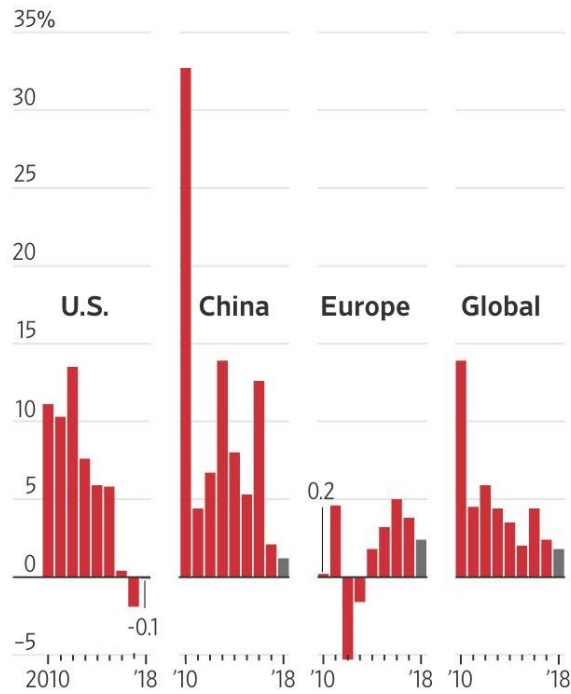
That's real estate! Now let's move over to two other areas that are just like real estate in the mid 2000's. These areas are auto loans and student loans. Anyone can buy a car today somewhere regardless of credit or employment with nothing down. The credit is so easy the prices have gone vertical. We see people paying \$80k for pickup trucks and \$50k for sedans. I can't help but think this is insane and I'm a car guy I LOVE them. I won't stray from my process of buying a 4-5 year old used car with super low miles and driving it forever, but to each their own.

To see a slow and steady erosion of car buyers we look to a chart from our friends at LMC Automotive. This trend clearly shows slowing vehicle sales globally. The game is about up on cars folks so if your'e in the market for a car, wait, prices will be coming down.

## Slow Down

Trade conflicts and rising costs dent auto-industry growth.

### Light-vehicle sales, change from a year earlier



Notes: Light vehicles weigh less than six tons. 2018 figures are estimates.

Source: LMC Automotive

## Noteworthy News!!!

- Congratulations to Jim Russo on his new position at Talcott Resolution! 😊
- Congratulations to Darren Hogan on his new position with Sager Electronics! 😊
- Our condolences to the Castanguay family on the passing of Camille, a wonderful man, husband, father, grandfather, brother, uncle, son and friend.
- Our condolences to the Albin family on the passing of Nicholas Albin, a wonderful man husband, father, grandfather, brother, uncle, son and friend.

## Question & Answer

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

*Q: What is taxable in an inheritance?*

I love this question! In general, when someone passes and leaves assets to heirs, the heirs receive what is known as a "step up" in cost basis meaning their cost of the asset is the value of the asset at the time of acquisition. This generally means things like stocks, bonds, property, etc. will not be taxed as the passing and subsequent inheritance.

There are exceptions to this of course as the IRS loves complication. Life insurance is generally completely tax free between family. Annuities are not part of the step up process so if there are gains in non qualified annuity contracts there will be taxes to be paid when these assets are distributed. We can often wait 5 years to dispose of old annuities and spread out the taxes over a period of time, which often results in less taxes than if paid all at once.

If there are retirement plans in the estate, there will be taxes due on them if they're taken in cash. If the heirs choose to do what we refer to as stretch IRA's they will not be taxable on the death, but they may require a small required minimum distribution each year. This all depends on the ages of those involved, but if the RMDs are applicable they will be taxable. They're generally a very small portion of the entire account and most of the money can remain in a place that is tax deferred and continues to gain interest and not pay taxes. These stretch IRA's can be pushed down 3 generations and we see a super powerful way to build wealth with these tools.

Cash, bank accounts, vehicles, other assets generally fall into the step upped basis category and will not be subject to taxes. These are income taxes we're talking about thus far, if the person was very successful they may be subject to estate taxes, which start at \$2,000,000 in CT and just over \$5,000,000 on the federal level. When talking about estate taxes, life insurance proceeds are added back into the estate if owned by the family and not an Irrevocable Life Insurance Trust. Call to discuss if this applies to you, lots of meat on this bone that we cannot address here!

"So I went to a toy store and bought every single marble they had. I ended up having to visit three toy stores to roundup 1000 marbles. I took them home and put them inside of a large, clear plastic container right here in the shack next to my gear. Every Saturday since then, I have taken one marble out and thrown it away."

"I found that by watching the marbles diminish, I focused more on the really important things in life. There is nothing like watching your time here on this earth run out to help get your priorities straight."

"Now let me tell you one last thing before I sign-off with you and take my lovely wife out for breakfast."

This morning, I took the very last marble out of the container. I figure if I make it until next Saturday then I have been given a little extra time. And the one thing we can all use is a little more time."

"It was nice to meet you Tom, I hope you spend more time with your family, and I hope to meet you again here on the band. 75 year Old Man, this is K9NZQ, clear and going QRT, good morning!"

You could have heard a pin drop on the band when this fellow signed off. I guess he gave us all a lot to think about. I had planned to work on the antenna that morning, and then I was going to meet up with a few hams to work on the next club newsletter. Instead, I went upstairs and woke my wife up with a kiss.

"C'mon honey, I'm taking you and the kids to breakfast."

"What brought this on?" she asked with a smile.

"Oh, nothing special, it's just been a long time since we spent a Saturday together with the kids. Hey, can we stop at a toy store while we're out? I need to buy some marbles."

**HAVE A GREAT WEEK... and may ALL of your Saturdays be special!**

**This was a story I ran across and felt the need to share it with you. It was written by Jeffrey Davis in 1999 and does a wonderful job of pointing out what is important in a crowded and busy life for most of us.**



# Money Quiz



This month's challenge is on tax return simplification, the 2017 1040 had 79 lines; how many will the 2018 form have? Congrats to Evelyn Genovese for winning last month's Money Quiz. 45% of the 176.1 million tax returns will owe no taxes for tax year 2018. We'll see what AI and robots does to this statistic moving forward! Winner goes to Ruby Tuesday on us! 07/09/18:10

## Billion \$ Pay Packages for CEO's

I'm the last one to be a fan of government intervention but here we have a problem. I'm not talking about local companies or a Dr's office where the owner is making a good living, I'm talking about the executives of monster corporations where the bosses are making 10,000 times the average worker. Here is a graphic showing how workers are not making a lot more when the company is.



There are a few things we can do to help find balance in this space again.

- Set higher income tax rates for absurd annual incomes. This doesn't mean 500k or the local Dr. will lay off staff, I mean huge pay packages of \$10,000,000 annually plus. Make the income tax rate super high, 70, 80 or 90% and that money will be spent on raises, new hires and business investment but will not kill small business.
- Set corporate tax rates higher for firms that have CEO pay to worker compensation above reasonable guidelines. It can't be 5 or 10 times pay, but when it reaches hundreds of times pay that is getting absurd.
- Allow shareholders a say on corporate pay packages and simplify them, put the total on one line and don't spread it around the document.

## Open Position @ CFA

If you know anyone who is looking for a front office position please think about contacting us. The person we're looking for is someone who has great people skills, is highly organized, and detail-orientated. They must be proficient with computers, Microsoft Office & CRM. We know there are plenty of great people locally who are looking for a job and it's just a matter of making the fit. We're looking for another person with high moral character to join our team! 😊

## Generation Motivation!

Many complain about the current youth generation, they say they're not motivated, they're deadbeats, they lack character, etc. I believe there is a slice of the population that is like that in not only that generation, but in every generation. It's possible there are more of them in the current youth generation because they've been raised to never feel adversity. They were all winners, they all got trophies for everything, even participation. When we were kids only the winner got the trophy and score mattered, as did character. These lessons will still be taught to the current youth, but at an older age where it's tougher to learn the lessons and a lot more painful.

The generational names go like this:

Name	Births Start	Births End
The Lost Generation	1890	1915
The Interbellum Generation	1901	1913
The Greatest Generation	1910	1924
The Silent Generation	1925	1945
Baby Boomers	1946	1964
Generation X	1964	1979
Xennials	1980	1994
Millenials, Gen Y	1995	2012
Generation Alpha	2013	2025

Many of the kids complain about adversity they face, in the softest world we've ever seen in the history of the world. Here is a tough start, let's see who this is. 1832 lost his job 1832 lost his run for legislature. 1833 failed in business and went bankrupt, 1836 nervous breakdown, 1838 defeated for speaker of the house, 1843 defeated for congress, 1849 rejected as land officer, 1854 defeated for US Senate, 1856 defeated for US VP, 1858 defeated again for US Senate, 1860 elected as President of the USA.

Who is this: Abraham Lincoln

Keep pushing forward and never give up!

## Inspirational Quotes

- Before anything else, preparation is the key to success, Alexander Graham Bell
- You are never too old to set another goal or dream a new dream, C. S. Lewis
- Our world needs revolution of love, Pope Francis
- We need to keep hope alive and strive to do better, Kofi Annan
- A little nonsense now and then, is cherished by the wisest men, Roald Dahl
- Always and never are two words you should always remember never to use, Wendell Johnson



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

Silicon Valley is the most powerful business area of the world today. I recently ran across an article that showed how some of the executives at Silicon Valley tech firms deal with technology and their children, and it's quite worrisome. I always watch the behavior of company managers and watch closely that they do with their own money and value it over what they say. If they spread love for their company but are selling shares of stock I'm not interested. If they spread love of their company but are aggressive buyers of shares of stock I'm very interested. Now I see this same type of double sided behavior with the tech giants of our world.

This appeared as a viewpoint in a Silicon Valley newspaper:

Melinda Gates children don't have smartphones and only use a computer in the kitchen. Her husband Bill spends hours in his office reading books while everyone else is refreshing their homepage. The most sought-after private school in Silicon Valley, The Waldorf School of the Peninsula, bans electronic devices for the under 11's and teaches the children of eBay, Apple, Uber and Google staff to make go-karts, knit and cook. Mark Zuckerberg wants his daughters to read Dr Seuss and play outside rather than use messenger kids. Steve Jobs strictly limited his children's use of technology at home. It's astonishing if you think about it: the more money you make out of the tech industry, the more you appear to shield your family from its effects?

PRICELESS!!!

I've often said the devices are not good for kids and little kids don't need them, they certainly don't need to be carrying them around on their person 24/7.

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!

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