

Aviation Amazement

I've had to travel a lot lately, and I mean a lot. I'm not a big traveler as most of you know, but the last 30 days has had me in 3 different spots in the country. One trip was for one of the girls the other two were business and we wrapped a bit of a vacation around one of the business trips.

We were in Lexington, KY for a basketball tournament then we were in Las Vegas, NV where I was asked to speak for a Casino Convention. This is a pretty unique thing in that a guy who doesn't gamble or drink went to Vegas and it was a joy to see the place where the things that happen there stay there. There is a lot to see there and it's really some of the best people watching I've ever seen. Then off to DC I went for another speaking engagement and then I'm back in CT for the remainder of the year. The business has gone from a just local one where most of our activities happen in CT, NY or MA to one where we're now getting around the country and have to use the airlines to efficiently and effectively navigate the country.

We like to drive a lot and now that we're forced into flying a lot I've decided to share some stats with you on aviation as it truly amazes me on every level. I love the speed and power of a jet and one day I'd love to fly one myself. As I sit in the plane with my 300 or so fellow travelers I'm always blown away at how this is happening. How does this massive bird even get off the ground and take us to our destination?

The reality is the design of the bird is such that it wants to fly, period. Once it reaches a certain speed it's going to go up and that's the beauty of physics. I've looked up the specs on a Boeing 757-200 to share with you to just marvel in the amazement of what is really going on with this beast.

The plane comes in many models so we'll just go with the averages here. There are many engine choices for this bad boy from Pratt & Whitney & Rolls Royce but they provide between 36,600lb – 43,500lb of thrust each. These planes have 2 engines so together they're giving the pilot 72,000 – 87,000 lbs of thrust under his/her hand. That's awesome and I was excited about my measly 400 hp car. What a joke that is now!

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The Power of Thinking

In a small Italian town, hundreds of years ago, a small business owner owed a large sum of money to a loan-shark. The loan-shark was a very old, unattractive looking guy that just so happened to fancy the business owner's daughter.

He decided to offer the businessman a deal that would completely wipe out the debt he owed him. However, the catch was that we would only wipe out the debt if he could marry the businessman's daughter.

Needless to say, this proposal was met with a look of disgust.

The loan-shark said that he would place two pebbles into a bag, one white and one black.

The daughter would then have to reach into the bag and pick out a pebble. If it was black, the debt would be wiped, but the loan-shark would then marry her. If it was white, the debt would also be wiped, but the daughter wouldn't have to marry the loan-shark.

Standing on a pebble-strewn path in the businessman's garden, the loan-shark bent over and picked up two pebbles.

Whilst he was picking them up, the daughter noticed that he'd picked up two black pebbles and placed them both into the bag. He then asked the daughter to reach into the bag and pick one. The daughter naturally had three choices as to what she could have done:

1. Refuse to pick a pebble from the bag.
2. Take both pebbles out of the bag and expose the loan-shark for cheating.
3. Pick a pebble from the bag fully well knowing it was black and sacrifice herself for her father's freedom.

She drew out a pebble from the bag, and before looking at it 'accidentally' dropped it into the midst of the other pebbles. She said to the loan-shark;

"Oh, how clumsy of me. Never mind, if you look into the bag for the one that is left, you will be able to tell which pebble I picked."

The pebble left in the bag is obviously black, and seeing as the loan-shark didn't want to be exposed, he had to play along as if the pebble the daughter dropped was white, and clear her father's debt.

Moral of the story:

It's always possible to overcome a tough situation throughout of the box thinking, and not give in to the only options you think you have to pick from.

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To move provide for that thirsty amount of power is an equally massive fuel capacity of 11,489 gallons. That's filling up your gas tank. My car has a 22.2 gallon tank and I can go 500 miles or so on it.

The wingspan of the aircraft is 124' 10" and it is 155'3" from front to back. It stands 49'11" tall and the wheelbase is 60'

The cargo space is 7998.77 cubic feet. Compare this to a normal car with about 20 cubic feet in the trunk.

Just the empty aircraft weighs in at 130,730 lbs. It has the capacity to hold another 115,665 lbs and still take off and fly. That's simply awesome on every level. That makes for almost a quarter million pound bird flying 4-5 miles over our heads at 500 or so miles per hour in perfect comfort and stability.

It's cruising speed is Mach 0.80, which translates into 608.97 mph. It's maximum operating speed is 654.64 mph, not counting the jet stream which could easily add 50 mph or so to this. Side note the jet stream can go as high as 200 – 250 mph at certain altitudes so the normal airliner ripping around the globe at 500-600 mph could easily approach the speed of sound in the right wind conditions.

The bird normally takes off in 7,750' of runway and it's normal cruising height is 35,600', which is 6.742 miles above the ground.

Every bit of these stats fires me up. I think after each line, this is sick, this is sick again and the more I take it in the more I'm blown away at human engineering and the ability to push the envelope. The bottom line is these things are meant to fly and they're capable of much more than what we see them do each day. We see the normal day to day travel and 99% of the time it's issue free. Every once in a while there are issues and we experienced them many years ago on a trip to Vancouver. What these things are capable of is truly amazing and luckily they have redundant systems 3-4 layers thick so if anything goes awry we're still safe and sound.

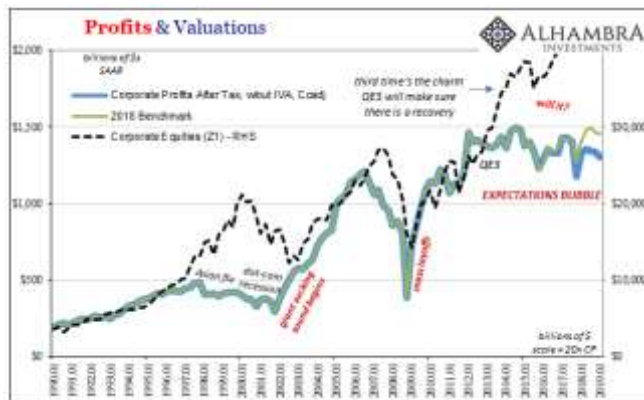
Whether you love flying or hate it or simply don't care it's something you just have to respect. The fact that you and 300 of your buddies can hop into a bird and rip around the globe at 500 mph 7 miles above the earth while cool people give you food and drinks and your drink sits on your table tray in almost perfect stability is something to be amazed about.



Objectively measuring the prices of assets today compared to historical norms presents us with a scenario that we virtually never see. People alive saw this in the 1999 era. Few people alive today saw this in the 1929 era. The valuations of risk assets almost across the board are out of hand today on a historical perspective. Is this time different? In 1999 the motto was this time is different because the internet and new technology was going to change the investment game and valuation strategies of old simply didn't matter anymore.

I disagree and the math tells us that valuations matter and always will. We will see temporary dislocations in markets in eras like today where for a period of time, a temporary one, valuations will not matter and the animal spirits of investors take over for a period of time.

Here is a great piece from Alhambra Investments showing the after tax profits of firms compared to the historical benchmark and today's valuations. As you can see we saw this same but less extreme valuations in the 99 era and again in the 07 era. We now see it again and wonder just how long it'll last.



It's funny how when things exist in a time like today people find a plethora of reasons to justify the numbers. Whether it is new technology, zero rates, QE, Federal Reserves across the world printing money, etc. Any reason is justifiable as long as it is happening. As soon as the music stops and we look back, people will wonder how this happened and who is to blame.

The reality is we're all to blame, markets are all of the participants, not just one. I am blown away at just how effective governments have been in "reflating assets" as they tried to do in 2011 when things were getting scary economically in the Eurozone. Since then, valuations and risk really haven't mattered as Central Banks have backed everything on the planet and nothing has been allowed to fail. Don't buy the illusion, stick to reasonable valuations.

Noteworthy News!!!

- Congratulations to the Lindsay Cannavo on her new position as Senior Business Development Manager at Fuss & O'Neill
- Congratulations to the Huyghebaert Family on the birth of grandbaby Fenner Voss!
- Congratulations to Cathy Culmone on her recent retirement!
- Our condolences to the Kozikowski family on the passing of Chester, a wonderful man, father, grandfather, brother, uncle and friend.

Question & Answer

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

Q: Do Rate Cuts always happen when things are bad?

That used to be the way things worked when common sense ruled the world. When the economy slowed down or there was some type of financial issue, the Fed would cut the rates to ease monetary policy so people would have cheaper access to money and it would lubricate the financial system. The idea of cutting rates is to expand the economy and the idea of raising rates is to control the economy from getting too hot and running wild. The past decade has been one of foolishness by government and Central Banks as they bail out political figures from making true fixes to our structural financial deficiencies we have in the world today.

Let's highlight some of the statistics we see today in July of 2019.

Markets across the country are at all time highs. S&P, Nasdaq & Dow Jones Industrial Average are all at their peaks. Interestingly the Russell 2000 Small Cap Index is not and that should be worrisome for those paying attention to the details. We find few pay attention to the details until it's too late. The US Economy is enjoying it's longest expansion in history at 121 months and counting. That's 10 years folks. In 2009 in April assets were cheap and we were buying like mad. Now they're ultra expensive and we're very cautious as to how we deploy assets. Bond yields on the 50 year bond in Switzerland are negative, investors are paying to own them.

Despite all of this great economic news, the Fed is going to cut rates in a few weeks on July 31st. This is consensus thinking, we don't know what will actually happen for sure but on average, market participants believe Powell and Company will cut rates with the best economic numbers we've seen in a generation. What does this all mean? It's a house of cards world economically and the shell game is almost up so the Fed and Political actors are doing anything they can to keep the sharade alive. We're not holding our breathe.



The Power of Thinking! (cont'd from page 1)

Not just thinking, but working and struggling and loving all have meaning in the world.

A man found a cocoon of a butterfly.

One day a small opening appeared. He sat and watched the butterfly for several hours as it struggled to force its body through that little hole.

Until it suddenly stopped making any progress and looked like it was stuck.

So the man decided to help the butterfly. He took a pair of scissors and snipped off the remaining bit of the cocoon. The butterfly then emerged easily, although it had a swollen body and small, shriveled wings.

The man didn't think anything of it and sat there waiting for the wings to enlarge to support the butterfly. But that didn't happen. The butterfly spent the rest of its life unable to fly, crawling around with tiny wings and a swollen body.

Despite the kind heart of the man, he didn't understand that the restricting cocoon and the struggle needed by the butterfly to get itself through the small opening; were God's way of forcing fluid from the body of the butterfly into its wings. To prepare itself for flying once it was out of the cocoon.

Moral of the story:

Our struggles in life develop our strengths. Without struggles, we never grow and never get stronger, so it's important for us to tackle challenges on our own, and not be relying on help from others.

There once was a little boy who had a very bad temper. His father decided to hand him a bag of nails and said that every time the boy lost his temper, he had to hammer a nail into the fence.

On the first day, the boy hammered 37 nails into that fence. The boy gradually began to control his temper over the next few weeks, and the number of nails he was hammering into the fence slowly decreased.

He discovered it was easier to control his temper than to hammer those nails into the fence.

Finally, the day came when the boy didn't lose his temper at all. He told his father the news and the father suggested that the boy should now pull out a nail every day he kept his temper under control.

The days passed and the young boy was finally able to tell his father that all the nails were gone. The father took his son by the hand and led him to the fence. "you have done well, my son, but look at the holes in the fence. The fence will never be the same. When you say things in anger, they leave a scar just like this one. You can put a knife in a man and draw it out. It won't matter how many times you say I'm sorry, the wound is still there."

Moral of the story:

Control your anger, and don't say things to people in the heat of the moment, that you may later regret. Some things in life, you are unable to take back.

Money Quiz



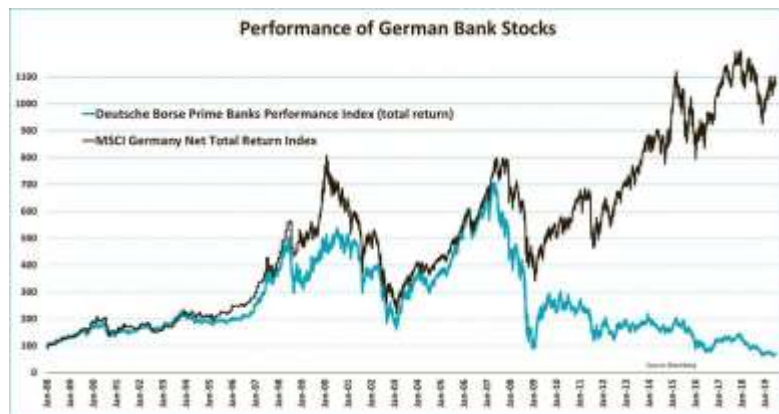
This month's challenge is on 401(k)'s. What percentage of workers currently participate in the 401(k) program at their work? ☺ Last month's quiz wasn't won, the Continental Congress approved the declaration of Independence on 07/04/1776 and the population of the 13 colonies was 2.5 million. 07:22:19:08

German Banks vs Germany

What are the banks in Germany doing and let's compare that to how the rest of Germany is doing from a stock price perspective. We often look at the banks as the barometer of economic health in an economic ecosystem as they face risks that no other business experiences.

Germany is often considered the strongest economy of the Eurozone and people often think the German people are benevolent for carrying along many other economically weak countries on their backs. The fact that the German economy is strong and many other Eurozone economies are very weak is a unique circumstance we don't see often. The unique operations in the German economy make it very strong economically and the 4th largest in the world. The German people are known for being excellent engineers and builders, sometimes accused of "over engineering" some things. Germany is the reason why Eurozone rates are so low. If Greece, Spain, Italy and some other lower block Eurozone countries were on their own the rates for those countries to borrow money would likely be in the double digits.

The chart below shows us how the German Banks have performed over the past 20 years. Note how since the peak in 2007 the banks never rebounded yet the rest of the markets have. Is there a message in this massive discrepancy? You bet there is and what a joy it will be to see the cycle complete itself.



Under the Covers

What is under the covers of the markets these days? We normally just look at the big numbers they blast across the ticker tapes and the screens, but what is happening within the markets as one digs deeper? What this cute little kitten sees under the covers is valuable information for us, if we're paying attention.



Divergences is what we're seeing under the covers. The S&P 500 is shown below with the indexes again hitting all-time highs the number of stocks within the index that are also hitting all-time highs are declining rapidly. What does this tell us? It tells us fewer and fewer stocks are doing the heavy lifting of keeping the market levels high. We will either see a lot more stocks take off and help the liftoff process or we'll see the markets start to fall in the coming months. Stay tuned, either way it'll be fun!



Inspirational Quotes

- Life begins where fear ends, Osho
- Only you can take inner freedom away from yourself, or give it to yourself, Michael A. Singer.
- 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
- Stillness alone is the potentiality for creativity, Deepak Chopra
- Everyone has a clear idea of how other people should lead their lives, but none about his or her own, Paula Coelho
- Educating the mind without educating the heart is no education at all, Aristotle
-



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

Do your kids or grandkids have any financial responsibility at all? It may make sense to make them responsible for something financially. I made our princesses pay their own bills out of checking accounts we created for them at a very young age because we see kids never being responsible for anything financial and then suddenly at age 17, 18 or 19 they need to choose a college.

How can a kid who has never paid for gas, a cell phone, gifts, lunch or anything for that matter where most of these items only cost \$5 or \$10 possible be equipped to make a decision as to which college to attend? The spread in prices for colleges is all over the map, the best value out there is community college and they're \$1k/yr to 6k/yr depending on where you live. The other end of that spectrum would be high end private colleges which cost \$50 - \$70k/yr and in the middle are great value public colleges which cost \$10k-30k/yr again depending on where you live.

What is the best way to make the kids face money reality? It's to make them responsible for earning some money and for paying for something. We didn't make it a big deal but we put enough cash in their accounts to pay for what they needed in terms of clothes, activities, sports, etc. and then a buffer for them to do some extra things that they wanted to do. Interesting things happened once the mom and dad bank closed and the kids had their own money. They stopped buying school lunch every day and only purchased it for their favorite meals. They screwed up a few things in the beginning and ran out of money at the end of a month and we didn't bail them out so they felt some pain over \$10 or \$20. Not a big expense at the end of the day but I'd much rather they learn with a small mistake than a big one like a \$300k education or a \$30k car mistake. Now at 17 & 19 these 2 cute little ladies have their financial act in order, are smart consumers and save the majority of their money. How are you doing it? We'll be happy to share great techniques with everyone else.

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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