

US Turning into Japan?

Are we turning into Japan in terms of our fiscal policy and what is about to come of our financial markets? Probably is what we're thinking and history may not repeat itself exactly, but it sure does rhyme. The premise here is that in the late 80's when Japan had an asset bubble very much like the one we have today they started aggressive monetary policies to "grow" their economy and end the bubble and they've been doing it ever since. Here is a comical graphic of Japanese government debt over the last 30+ years.



In 2012 they decided to try to fight deflation and you wonder how they have deflation when they've been printing money for decades. Logically, they should have inflation and lots of it. The thing is the velocity of money has slowed to a crawl as savers are hoarding money worried about what the government is doing so one somewhat offsets the other.

To fight the inflation they went on an unprecedented money print again, joining the rest of the globe in trying to fight recessions in many countries and a meltdown in Europe.

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Growing Up

'Someone asked the other day,

'What was your favorite fast food when you were growing up?'

'We didn't have fast food when I was growing up,

I informed him.

'All the food was slow.'

'C'mon, seriously. Where did you eat?'

'It was a place called 'at Home,'" I explained.

'Mom cooked every day and when Dad got home from work, we sat down together at the dining room table, and if I didn't like what she put on my plate I was allowed to sit there until I did like it.' By this time, the kid was laughing so hard I was afraid he was going to suffer serious internal damage, so I didn't tell him the part about how I had to have permission to leave the table.

But here are some other things I would have told him about my childhood if I figured his system could have handled it :

Some parents NEVER owned their own house, never wore Levis, never set foot on a golf course, never traveled out of the country or had a credit card.

In their later years they had something called a revolving charge card. The card was good only at??Sears Roebuck. Or maybe it was Sears & Roebuck.

Either way, there is no Roebuck anymore??

Maybe he died.

My parents never drove me to soccer practice. This was mostly because we never had heard of soccer. I had a bicycle that weighed probably 50 pounds, and only had one speed, (slow)

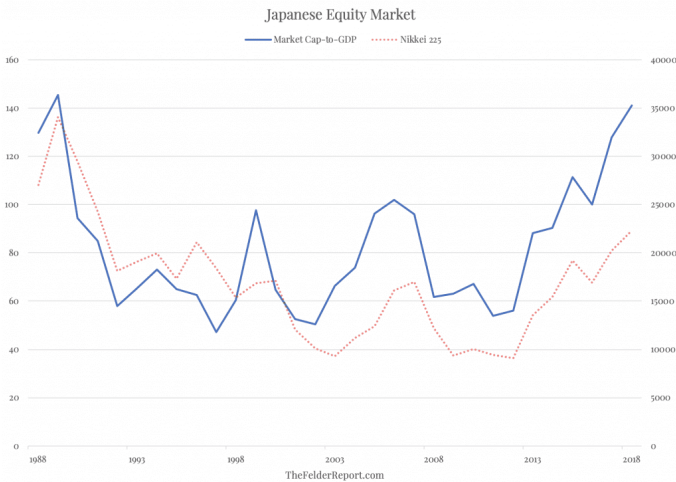
We didn't have a television in our house until I was 11. It was, of course, black and white, and the station went off the air at midnight, after playing the national anthem and a poem about God; it came back on the air at about 6 am. And there was usually a locally produced news and farm show on, featuring local people.

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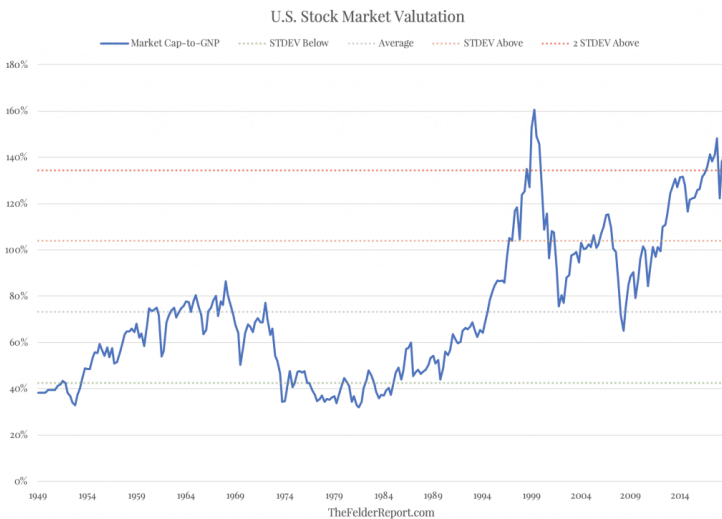
Japanification of America? (cont'd from page 1)

This time the Japanese Central Bank joined the global central bank printing party when in the 80's they were alone in what they were doing central bank wise with aggressive or unconventional monetary policy.

So how did this all work out? Not so well despite the aggressive monetary policies of the late 80's, the markets and economy didn't end well. The bubble had to pop as it did and the fiscal sanity never really recovered. Here from our buddies at the Felder Report is a graphic of how the Japanese market as measured by the Nikkei 225 and market cap to GDP fared from 1988 – last year. **Note that the market peaked in 1988 and still hasn't come back 30 years later.**



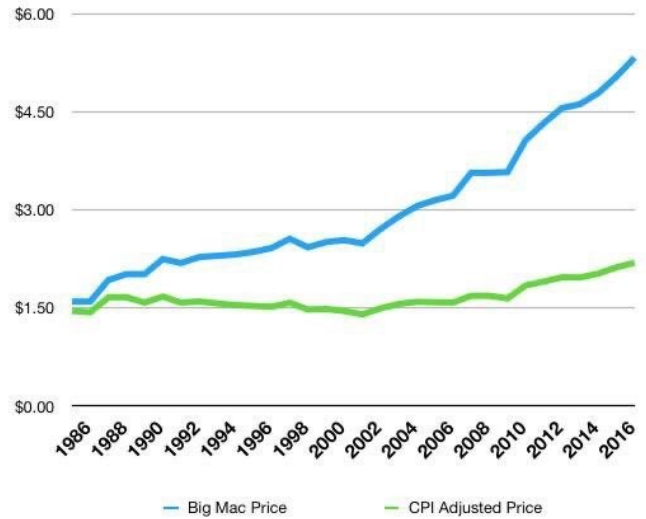
Now let's look at how we look today and try to figure out just what may be around the corner for us. I don't know if a 30 year drop is in our future but I could certainly very easily see a big drop that takes 10 – 15 years to come back to the levels we are at today. This is just reality and valuations are at a premium today. Pay attention to valuation! 😊



What Inflation?

If you pay attention to the government data, there isn't much inflation out there. 2.1% inflation lately is what they say. I'm a skeptic to say the least as they keep messing around with what expenses are in the calculation. When you go to pay your bills and you live in economic reality you realize there is horrific inflation out there, especially in key areas. Let's look at the king of burgers to show just how substantial inflation has been over the years in the fast food business.

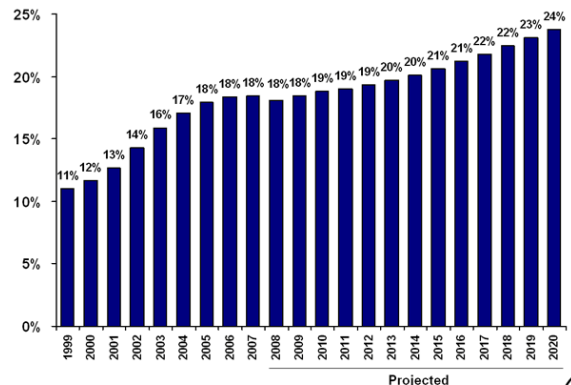
Big Mac Price Versus CPI Adjusted Price



Note how much inflation has accelerated since 2009. Any chance the endless printing of money by global central banks may have something to do with this? I don't eat that food, but it seems to me \$5.00 for a big mac isn't a great deal, and it's certainly not for your health.

Now let's look at the cost of medical insurance. This is criminal, note that since the "Affordable Care Act" was passed in March 2010, health care inflation has gone up substantially. Only the government can name something that does the opposite of the name. I'd like to see Google call their data gathering practices called privacy tools and see how long they're in business.

Average Family Premium as a Percentage of Median Family Income, 1999–2020



Source: Commonwealth Fund calculations based on Kaiser/HRET, 1999–2008; 2008 MEPS-IC; U.S. Census Bureau, Current Population Survey; Congressional Budget Office.



Noteworthy News!!!

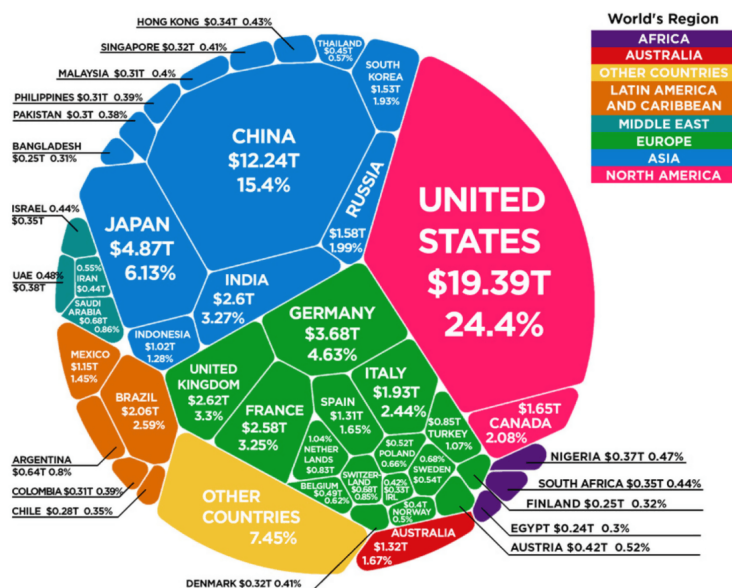
- Congratulations to Gail Perugini on her new position with Community Health Network of CT! ☺
- Congratulations to Frank Farrell on his recent retirement! ☺
- Congratulations to Carrie Begey on her new position with UCONN! ☺
- Congratulations to Laura Miele on her new position with Montgomery County College! ☺
- Our condolences on the passing of Joe Gallicchio, a wonderful man, husband, father, grandfather, uncle, brother person and friend!

Question & Answer

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

Q: To what degree are the debts of various countries a problem today as they've been printing money for a decade it seems?

This is something we think a lot about and wonder just how the world is working without any fiscal responsibility from the top down. Most levels of government just print their deficits with no regard for how we're going to pay this mess back. The debt problems are big and they are real. The chart below is a great one showing the global government debts. The size of the cell is how much debt each country has as a percentage of global debt and the number within each cell shows how much total debt each country has. America has 19.39 Trillion in debt. 24.4% of global debt while Japan has 4.87 Trillion in debt, 6.13% of global debt. The debt is an issue, and when markets start actually worrying about it rather than kicking the can, we're ready for that and positioned accordingly. This, and valuations in general, are what is preventing us from being too aggressive in this environment. Great question!



Growing Up! (cont'd from page 1)

I was 19 before I tasted my first pizza, it was called 'pizza pie.' When I bit into it, I burned the roof of my mouth and the cheese slid off, swung down, plastered itself against my chin and burned that, too. It's still the best pizza I ever had.

I never had a telephone in my room. The only phone in the house was in the living room and it was on a party line. Before you could dial, you had to listen and make sure some people you didn't know weren't already using the line.

Pizzas were not delivered to our home.?? But milk was.

All newspapers were delivered by young boys and all young boys delivered newspapers--my brother delivered a newspaper, six days a week. It cost 7 cents a paper, of which he got to keep 2 cents.?? He had to get up at 6 AM every morning.

On Saturday, he had to collect the 42 cents from his customers. His favorite customers were the ones who gave him 50 cents and told him to keep the change. His least favorite customers were the ones who seemed to never be home on collection day.

Movie stars kissed with their mouths shut. At least, they did in the movies. There were no movie ratings because all movies were responsibly produced for everyone to enjoy viewing, without profanity or violence or most anything offensive.

What was offensive was nudity, vulgarity and violence. Today we accept those things, but the kids are offended by hard work and anything they disagree with. We've gotten so soft the millennial generation will find it difficult at a minimum when the brick wall of reality hits them square in the head and they have to suck it up as we did.

We never complained about things, we just worked harder. If you grew up in a generation before there was fast food, you may want to share some of these memories with your children or grandchildren.

Just don't blame me if they burst out laughing.
Growing up isn't what it used to be, is it?

Money Quiz



This month's challenge is on retirement. What percentage of working Americans will remain in the workforce beyond age 65 and not by choice, but because they haven't accumulated enough to retire? ☺ Last month's quiz was won by Victor Pelosi, Vermont had the lowest unemployment rate in the nation at 2.1% in August of 2019. 11:25:19:8

Common Sense

An Obituary printed in the London Times. Absolutely Dead Brilliant!!

Today we mourn the passing of a beloved old friend, Common Sense, who has been with us for many years. No one knows for sure how old he was, since his birth records were long ago lost in bureaucratic red tape. He will be remembered as having cultivated such valuable lessons as: - Knowing when to come in out of the rain; - Why the early bird gets the worm; - Life isn't always fair; - And maybe it was my fault.

Common Sense lived by simple, sound financial policies (don't spend more than you can earn) and reliable strategies (adults, not children, are in charge). His health began to deteriorate rapidly when well-intentioned but overbearing regulations were set in place. Reports of a 6-year-old boy charged with sexual harassment for kissing a classmate; teens suspended from school for using mouthwash after lunch; and a teacher fired for reprimanding an unruly student only worsened his condition.

Common Sense lost ground when parents attacked teachers for doing the job that they themselves had failed to do in disciplining their unruly children. It declined even further when schools were required to get parental consent to administer sun lotion or an aspirin to a student; but could not inform parents when a student became pregnant and wanted to have an abortion.

Common Sense lost the will to live as the churches became businesses and criminals received better treatment than their victims. Common Sense took a beating when you couldn't defend yourself from a burglar in your own home and the burglar could sue you for assault.

Common Sense finally gave up the will to live, after a woman failed to realize that a steaming cup of coffee was hot. She spilled a little in her lap and was promptly awarded a huge settlement.

Common Sense was preceded in death, -by his parents, Truth and Trust, -by his wife, Discretion, -by his daughter, Responsibility, -and by his son, Reason.

He is survived by his 5 stepchildren; - I Know My Rights - I Want It Now - Someone Else Is To Blame - I'm A Victim - Pay me for Doing Nothing

Not many attended his funeral because, so few realized he was gone.

If you still remember him, share the word. The world cannot go on forever without common sense.

Connecticut Fiscal Change!

We see small glimpses of the state trying to do something fiscally responsible. In trying to keep more retiree's here, they're making the tax situation more friendly. Good news! Here is the deal:

In 2017, the legislature raised the income thresholds that allow some taxpayers to be able to deduct 100 percent of their federally taxable Social Security income, therefore expanding this deduction to more taxpayers. Effective in 2019, the threshold increases from \$50,000 to \$75,000 for single filers and married people filing separately, and \$60,000 to \$100,000 for joint filers and heads of household. As under existing law, taxpayers with incomes at or above these thresholds continue to qualify for a 75 percent deduction.

This legislation also assures a 100-percent exemption from income taxes on Social Security benefits for single filers with adjusted gross incomes of up to \$75,000; and up to \$100,000 for couples. They will save an additional \$24 million when they file their 2019 taxes.

As mentioned above, until this year the threshold for exempting Social Security income was \$50,000 for singles and \$60,000 for joint filers.

The legislature also authorized a six-year phase-out, from 2019 to 2025, of the state income tax on pension and annuity income for taxpayers with federal adjusted gross income (AGI) below specified thresholds.

On pension and annuity income for people with adjusted gross income (AGI) levels of up to \$75,000 for singles and \$100,000 for couples, there will be a 14-percent exemption for this 2019 tax year, an overall savings for them of nearly \$33 million. It will increase to 28 percent next year, 42 percent in 2021, 56 percent the following year, 70 percent in 2023, 84 percent in 2024 and 100-percent in 2025, after which it ends.

Phase-in of the Pension and Annuity Income Tax Exemption Tax Year Percent of Pension and Annuity Income Exempt from Income

Tax Year	Percent of Pension and Annuity Income Exempt from Income Tax
2019	14%
2020	28
2021	42
2022	56
2023	70
2024	84
2025	100

In authorizing the pension and annuity income tax exemption, the legislature also made a conforming change to the existing teacher pension exemption by allowing taxpayers to claim either that exemption or the pension and annuity exemption.

Inspirational Quotes

- Man's inhumanity to man makes countless thousands mourn, Robert Burns
- Never doubt that a small group of thoughtful, committed, citizens can change the world, Margarete Mead
- Pain can burn you up and destroy you, or burn you up and redeem you, author unknown
- Take risks: if you win you will be happy, if you lose you will be wise
- If it's both terrifying and amazing then you should definitely pursue it, Erada
- Don't wait for things to get better, life will always be complicated
- Some people want material things. Me, I just want peace, happy times and people who love me



Kids Corner

As the girls adjust to life on their own, they are getting some life lessons that we've all had. How one deals with getting knocked around defines us, not the fact that we were knocked around because we all have had it happen to us. I think back to when I was a kid and every time someone told me no you can't do that it just added some fuel to my fire to do just that. We all have things we're good at and things we're not so good at, but the key to life in many ways is persistence.

Our girls have both had some challenges in life and despite them making for a few bad days or weeks, luckily, they chose to stick with their goals and ambitions and just keep fighting on. Never have they just let the world beat them and hopefully they never will. I've always been their biggest cheerleader and tried to coach them along, motivate them and be a shoulder to cry on for them. We all need that, I had my folks and many good friends as a kid to do the exact same thing for me when I was in need.

Fast forward that clock a few decades and now it's our turn to help our kids, grandkids and any youth close to us. We need to teach them we're all going to face disappointment, adversity, trauma and trouble and that's okay. How we react to that defines us, not the simple fact that it happened to us. We're happy to share any great stories you've experienced so feel free to share the love! 😊

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

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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