

Stewardship

Stewardship is defined by our friends at Merriam-Webster as the office, duties and obligations of a steward; the conducting, supervising or managing of something. In our world, we're always focused on the stewardship of financial assets; it is our business. Let's take a trip back in time to when my girls were young and how we treated the 'protecting your capital' conversation. Capital is very important in our world, yet we're pretty much never taught about it. In my household, the girls had endless conversations around fiscal stewardship, fiduciary behavior, and protecting ones capital.

First, let us define capital. In the financial world, we look at capital as the assets you hold and work with economically, therefore it comes in various forms. There is human capital, your ability to earn a living for many. Especially for young people, this is by far the most valuable. Your human capital is far more important than buying a warranty on a new TV, automobile, or just about anything else you can think of until you have reached critical mass and have enough capital to retire. If you lose your human capital while you are young, it's game over financially; the trajectory you once imagined for yourself will never be. For young people, the most valuable asset is the ability to earn a living, period. Nonetheless, human capital remains the most valuable asset for most people under 50 and even later into their 50's.

Next, we have physical capital, which can also come in many forms. Some have investment capital, while others have businesses and real estate. Everyone has many forms of capital and for most of us, capital has accumulated over a lifetime. The genesis of capital is that we all work to turn our human capital into some other form of capital, so we no longer need to work, or no longer need to work so hard.

If you're not lucky enough to be born into a monster pile of capital with a last name like DuPont, Rockefeller, or Buffet, won't inherit it from a relative, or don't have a sugar mama or sugar daddy, there are two ways to make money: you can go to work every day and make it or you can have your capital work for you and make more. Much of my day every day is dedicated to helping people allocate their cumulative capital in the best possible ways, which ends up giving them a more positive outcome than otherwise would have been achieved. People by default are horrible allocators of capital as this isn't something they teach in high school or at most colleges, unless you're diving deep into the business world.

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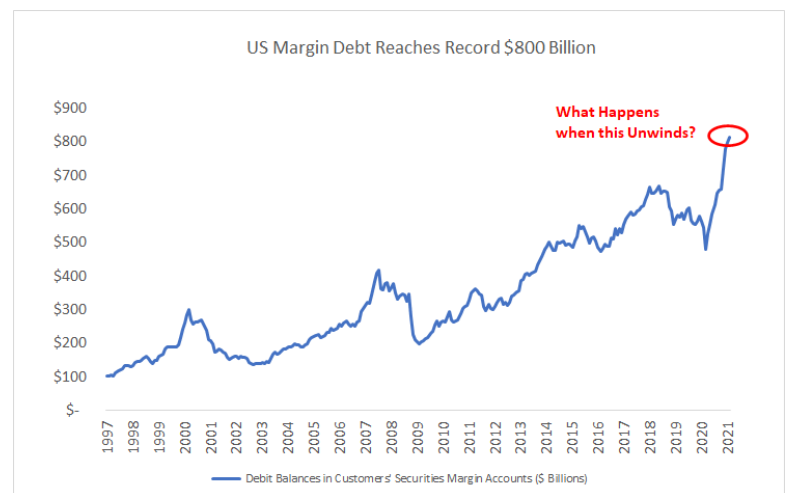
The Breaking Point

Are we close to the breaking points in markets? Nobody knows for sure, but you can rest assured we're much closer to a breaking point than a new beginning.



The exuberance around stocks today is like we've never seen before. Look at this stretch on the monthly candlesticks on the Russell 2000. Rarely do you see the markets even touch the outside of the Bollinger band; now, they're almost double the size away from it on the outside. We don't see this very often, if ever.

Not only are prices sky high, they're borrowing to buy shares like never before. We thought 1999 and 2007 were bad; today makes those two clips in time look like cheap spenders. Now, this is like a rubber band stretched two to three times beyond where it normally rests.



Continued on page 3, Breaking Point

There are three types of people in the world: spenders, savers and wealth-creators. I'll give you a quick description of each of them.

The biggest issue with most folks in accumulating the physical capital is simply priorities. We are hit with so many marketing messages every day., most people just use up their capital as consumers; they burn through it and that's fine. These people we refer to are consumers, they consume money and never accumulate it. This group of people are the spenders.

Some people are pretty good at living below their means and packing away a good chunk of their earnings every week. These people do well in life, tend to be the millionaire next door (if you've ever read that book, and there are hundreds of thousands of them within a fifty-mile radius of where we all sit today). These are the savers of the world. We work with tons of savers, where the job is simply reallocating their capital to better places. If it is in a bank, the rates are horrible, insultingly low, and we must earn at least enough to keep pace with inflation, after taxes of course. If it is invested, we need to make sure those investments are safe, and do not erode the capital. This is the biggest area in which we see capital destruction. The number one rule of investing is to protect your capital. The number two rule is to refer to rule number one! If you lose 10% of your money, you need to make 11.11% to get back to square one. If you lose 20% you need to make 25% to get back to start; if you lose 50% you need to earn 100% to get back to start. Protect the capital, folks. In today's world of overvalued assets, it's so easy to chase the "popular" things which have no logical valuation and follow the greater fool theory to chase your capital all the way down to the basement. Let's not do that; we work too hard to earn and save money to just blow it on nonsense.

Now, for entrepreneurs. They tend to be the ones who build empires, small and large. This group of people makes America special. These capitalists change the world for the better, redefining it as time unfolds. Such folks tend to be high energy idea factories who just won't quit or slow down. We work with a lot of people like this, and they really fire me up. We refer to them as wealth creators, as they tend not to be afraid of anything, but end up needing some tools (which we provide for them) to keep the creative wheels spinning, but spinning in between the rails, and protecting them from themselves. Folks that are wealth creators make the world go round; they innovate, they employ people, and they move the world forward.

The wealth creators cannot do it alone, they need armies of workers who are good at other things that the wealth creators are not good at. It takes the team to make the dream.

When I was a child, we grew up broke. Thousands of times I heard "Michael, we cannot afford that." It put an irrevocable image on my psyche and when my girls were growing-up, I refused to use that phrase; instead, I used another. When my girls wanted to do something that was stupid or irresponsible, I would tell them that we're not doing that, it's a waste of our capital. Even in the few times I really couldn't afford it, I used the capital phrase so they didn't have the same story I grew up about not being able to afford it, which imprinted on my brain and made me feel poor, but also motivated me exponentially



With the gyms closed and all of us looking for alternate ways of working out, I've been thinking about the animal kingdom. We all work out hard to try to avoid turning into Jabba The Hut. As much iron as we may pump, or as many times as we may hit a Yoga mat, we're still nowhere near some of the greatest and most powerful creatures that run amongst us in the animal kingdom. Now that it's something we're thinking about, let me give you a quick summary of some amazingly powerful beings, based purely on strength!

- The Dung Beetle can lift 1100 times its own weight
- The Rhinoceros beetle can lift 850 times its own weight
- The Leafcutter ant can carry things 50 times its own weight
- A gorilla can lift 10 times its own weight. Some weigh 800lbs, that's amazing
- A Eagle can carry in flight items 4 times heavier than itself
- A Tiger can carry twice his/her own weight
- The African Bush Elephant can lift 130 men
- Blue whales move themselves around, and some of them weigh in at 200 tons
- An Ox can move 1.5 times their own bodyweight
- A Grizzly bear can lift his/her own bodyweight, impressive in that some of them weigh in at 1200lbs
- A Saltwater Croc has a bite force of 3700 psi – more powerful than that of a T-Rex
- A Jaguar can outbite any cat, putting up 2000 psi it is twice as powerful as the king of the jungle
- The Hippo is a pretty amazing herbivore, putting up 1821 psi that'll devour any plant on the planet
- Polar bears are big and mighty and deliver 1200 psi bite force along with a swipe of a paw that can take out just about anything
- The American Black Bear is no slouch, easily moving around rocks weighing 1000 lbs and bending ¼" steel with a swipe of their paws
- The Hyena isn't so funny when he's putting up his 1100 psi bite force
- The anaconda can squeeze to death an animal if it can get around it, putting a quick end to almost anything on the planet it can get around
- The lion may not have the strongest jaws, but the overall power package keeps him as the king of the jungle
- Honey Badgers are tiny but they're fearless. There is no questioning, the theory of a honey badger just doesn't give a \$#!. They will attack tigers, lions, and anything else that gets in their way
- Leopards can't be left out; as the strongest climber in the cat family, they can ascend a tree with prey twice their own bodyweight
- The 20lb Tasmanian Devil cranks up 200 psi of bite force and 100 decibels of screaming insanity when you fire up that little fireball

Noteworthy News!!!

- Congratulations to Bill & Nora McCornick on 44 years of blissful marriage!
- Congratulations to the Russo family on the birth of grandbaby # 1!
- Congratulations to the Bell family on the purchase of their new home!
- Congratulations to the Fador family on the purchase of their new home!
- Our condolences to the Sarra family on the passing of Aaron, a wonderful man, father, husband, brother, son, person, and friend!
- Our condolences to the Hershey family on the passing of MaryLee, a wonderful woman, wife, mother, grandmother, sister, person, and friend.

Question & Answer

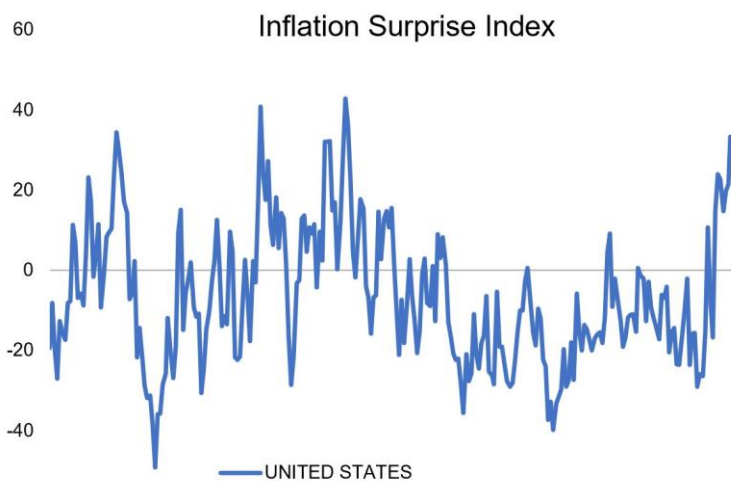
Ask any financial question you have, and we'll address it here.

Q: Why is the inflation reading so low it seems like prices are rising?

That is a great observation and wonderful question with a lot of insight behind it. The short answer is, the government is constantly changing how the official inflation rate, the CPI, is calculated. Over the years they've taken many things out of the calculation that are going up in price the most.

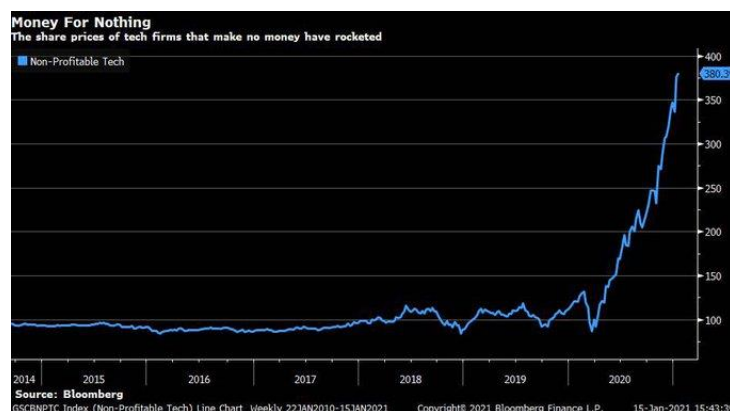
The endless printing of money we've seen by global central banks in the past dozen years is indeed unprecedented. The fact is there is a lot more money in circulation around the globe, so one would logically conclude that inflation has to be here or is coming very soon to a theater near you. That is coupled with the fact that the velocity of money, the rate at which people are spending it, is at an all time low, so there is somewhat of an offsetting force here. There is clearly price inflation on a net basis, for any of us who consume medical care, food, lumber, education and many other products and services understand this reality.

Below is a great illustration of the inflation surprise index. We're seeing jumps in this index like we have not seen since the 2000 era and then again in the 06 and 09 eras. Note when these things happen, it is often a precursor to some very interesting times in the stock market. Hang on tight folks, a wild ride is in front of us.



Memory Lane! (cont'd from page 1)

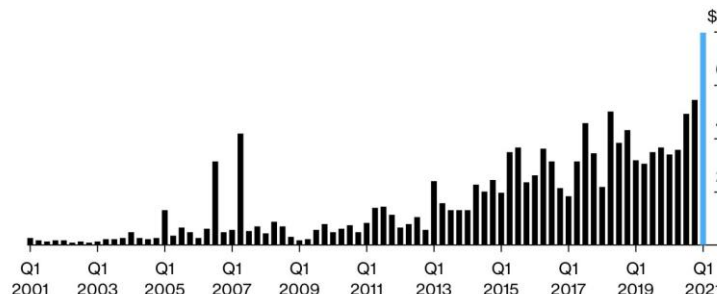
The shares with the best performance on public markets are the ones with no earnings whatsoever.



Private equity firms are buying up tech companies at record pace and at record valuations.

Taste for Tech

It's been a record quarter of tech acquisitions by private equity firms



Corporate executives are selling their shares at a pace we haven't seen in decades. They know more about a company's future prospects than anyone else. None of this spells smooth swimming ahead financially. How do you deal with it? Don't chase the madness of crowds or follow the greater fool theory.

Insiders have rarely been as bearish as they are now

Proportion of firms for which net insider buying is positive

Money Quiz



This month's challenge is appropriately on lumber. Last year suppliers of lumber cut their production in the 1st quarter of the year in response to the pandemic. Housing demand increased rather than decreased and as a result of post pandemic people moving out of large cities. We've got a big spike in lumber prices, then a fall, then another spike. On 1/1/2020, the price of a thousand board feet of lumber was \$406. What is it today in March of 2021? Winner gets lunch on us at Ruby Tuesdays! 😊 08:31:20:9

Perspective

I read this note written by Barry Evans in mid 2020, well worth sharing and very appropriate for today

Having perspective is good, but using it is better. I received what is written below from a friend. I do not know who wrote it, but I think it makes an excellent point relative to what is occurring now. We probably all think that it's a mess out there now. Hard to discern between what's a real threat and what is just simple panic and hysteria. For a small amount of perspective at this moment, imagine you were born in 1900. Many would think that that was a pretty simple time of life. Then on your 14th birthday, World War I starts, and ends on your 18th birthday. 22 million people perish in that war, including many of your friends who volunteered to defend freedom in Europe. Later in the year, a Spanish Flu epidemic hits the planet and runs until your 20th birthday. 50 million people die from it in those two years. Yes, 50 million.

On your 29th birthday, the Great Depression begins. Unemployment hits 25%, the World GDP drops 27%. That runs until you are 38. The country nearly collapses along with the world economy. If you were lucky, you had a job that paid \$300 a year, a dollar a day. When you turn 39, World War II starts. You aren't even over the hill yet, but don't try to catch your breath. If you lived in London, England or most of continental Europe, bombing of your neighborhood, or invasion of your country by foreign soldiers along with their tank and artillery was a daily event.

Thousands of Canadian young men joined the army to defend liberty with their lives. Between your 39th and 45th birthday, 75 million people perish in the war. At 50, the Korean War starts. 5 million perish. At 55 the Vietnam War begins and doesn't end for 20 years. 4 million people perish in that conflict. On your 62nd birthday there is the Cuban Missile Crisis, a tipping point in the Cold War. Life on our planet, as we know it, could have ended. Sensible leaders prevented that from happening.

In 2020, we have the COVID-19 pandemic. Thousands have died; it feels pretty dangerous; and it is. Now think of everyone on the planet born in 1900. How do you think they survived all of the above? When you were a kid in 1965, you didn't think your 65-year-old grandparents understood how hard school was, and how mean that kid in your class was. Yet they survived through everything listed above. Perspective is an amazing art. Refined as time goes on, and very enlightening. So, let's try and keep things in perspective. Let's be smart, we are all in this together. Let's help each other out, and we will get through all of this.

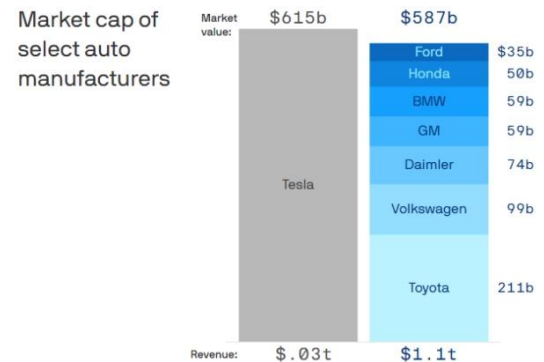
AMEN!

Is Tesla the Globe's Only Car Company?

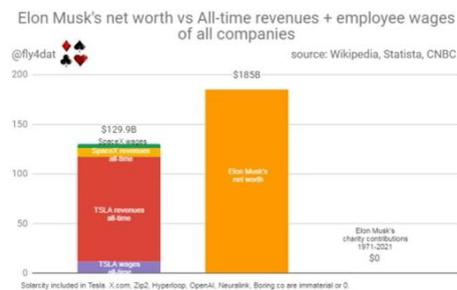
2020 was insane for Tesla, even if it is a little beat up in 2021. The company went vertical in a very complicated environment. People love the green energy idea, and Tesla is a super cool car, so the one two punch is hard to ignore. The financial side of Tesla is another entity entirely, one that makes no sense to most people in our business. We tried shorting this thing a few times with no luck and we kept getting blown out of our stops as the price of the company continues to soar. After a 5 for 1 stock split, the company is now the most valuable car company on the planet. They are worth ten times more on paper than every other car company in the world, combined. Let me say that again, Tesla today, as measured by market capitalization, is worth ten times more than every other car company in the world, combined.

Yes, I know it's nuts and there are periods of time where markets are enthusiastic over certain things. This is one of those times, markets are exuberant about a lot of things today, which does not really add up to where we are in the world from a macroeconomic, debt and political perspective.

Here is a graphic of that reality:



Now here is another graphic on the net worth of Elon Musk, the Tesla CEO, vs all time revenue and employee wages for all companies. This is what infuriates the public, not the local Dr.



I'm a car nut and I love the Teslas, but this is a financial house of cards that will likely implode at some point. 😊

Inspirational Quotes

- Do one thing every day that scares you, Eleanor Roosevelt
- The wound is the place where the light enters you, Rumi
- How wonderful is it that nobody need to wait a single moment before starting to improve the world, Anne Frank
- Change is constant, the signal for rebirth, the egg of the phoenix, Christian Baldwin
- To weep is to make less of the depth of the grief, William Shakespeare
- As long as wone keeps searching, the answers come, Joan Baez
- An open ear is the only believable sign of an open heart, David Augsburger



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

Kids Corner

College is a great time for kids if they decide to go and get a formal education. Not every kid should go to college today. In fact, with the massive shortage of tradespeople, many kids will do quite well if they pursue the trades. The youth will get to spread their wings and explore the world no matter which path they choose.

The college-bound kids will delve into a fascinating exploration into their chosen field of study. Perhaps they don't know what that field is, and by exploring many ideas that are available to them in college, they can decide which one is meant for them. This is one exploration we want them to take. It is a time when they should be taking very calculated risks and learning about all of the wonderful things the world has to offer.

We also want to make sure they don't take risks that are not wise or calculated, where the risk reward is against them and can ruin their lives. Most of us look back and wish there are some things we didn't do as kids so let's hope we can save some of the youth of today some pain by sharing our wisdom. I am blessed to have survived many incidents where I was traveling far too fast in any type of motorized vehicle. I never touched partying, drugs or alcohol, but did love the adrenaline rush of moving fast. 😊

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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