

## Countries Revolting

We're living in historical times today. Our grandchildren will read about the events of the past few years and ask us how it all came to be. The next few years will likely prove to be just as newsworthy as the last few, but for very different reasons. The past few years have been dominated by financial news and economic strife, but the next few will likely be dominated by human rights issues and the collapsing of oppressive regimes. Moving forward, it will likely not take war to remove evil tyrants from office in many parts of the world.

Think about how the new technology of social media, texting, email, etc. are changing the world, especially the oppressed world. Would the recent events of Egypt, Sudan, Jordan and Yemen have unfolded as they have without these tools? The oppressive governments holding their citizens down won't be able to hide people from the realities of the rest of the world in 2011. Even as governments try to turn off internet connections, as Egypt did, alternate communication tools via cell phone apps and texts allow people to communicate and rally in spite of government suppression; this technology has no borders.

The government can control print media within its borders and intimidate with military might, but it ends there. People can think independently and can communicate across the globe. Now with instant, global, digital communication it's just a matter of time until all people demand to have basic human rights, to be treated equally regardless of sex, to be able to vote, to be able to speak freely, print freely, dress as they wish, and have due process. People are done with unscrupulous

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## Importing and Exporting

This seems like a very elementary concept - goods and services we make and send overseas are exports; goods and services produced overseas that we consume are imports. Any kid in middle school could easily get their minds around this concept. Of course with economics it's never that simple. There are a lot of things at work "under the covers" that people who are not involved in the chain of events are ever aware of. We're going to explore this concept now and see what impact it has on economics.

Within the import/export field is a concept known as "protectionism". Protectionism is when a country or state favors business within its own borders. This concept is becoming very popular as countries across the globe try to push their economic agenda and balance their budgets. We hear a lot about this today as people worry about jobs being outsourced. We heard a lot more about this years ago specifically related to the manufacturing of automobiles when some people would only buy American-made automobiles.

I don't hear much about that anymore, people seem more open minded, but I suspect Ford, Chevy & Dodge still have a legion of faithful followers still think these cars are actually made in America. The reality is that some American cars are made in America, but more are made elsewhere. Foreign car companies are split, many are made here as well as in other countries so it's hard to tell today exactly where a car is made. We can sort it out by where each part is made vs. where the final assembly takes place. This can go on forever because many components of a car are a series of subcomponents, and so on. Bottom line, it's complicated and not easy to break down to a cellular level.

This data is hard to mine and analyze. We cannot simply say that a Chevrolet is American-made, even the ones assembled here have parts in them from all over the world. Let's say one part comes from Connecticut, but that part may have parts and components in it from a dozen other countries. Buicks, made both here and in China, are even more complicated because the same nameplate is being manufactured in silos on two continents. Some parts are shared, others are completely different. China is GM's # 1 market, not the USA. Trade statistics don't show the relationships of components as a whole, and this makes the data incomplete,

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# Revoluting

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governments and violent oppressive dictators. Our government certainly has issues, but nothing like what we're seeing in dictator-ruled countries. At least in our elections there is more than one choice. We might be of the opinion that all of the choices are awful, but at least we have a choice, and in theory, anyone can run for office (provided you have the funds). Many of these oppressive countries hold elections, but there is only one candidate, the oppressor, which is a sham and an insult combined.

It really is inspiring to see things unfolding this way. We have governments collapsing in weeks, peacefully, on the unity of a demanding citizenry. How things are handled moving forward has yet to be seen, but this is a better alternative than a civil or any other type of war. This type of transition is so much nicer to see than North & South Korea playing war games with one another, trying to intimidate each other with military might. It would be nice to see that tussle unfold as these others have, peacefully.

There is a theory that oppressive, often Arab, forms of government are causing a leak in the dam, perhaps several leaks which may not be able to be plugged in time to save their systems of governing. People in these countries tend to be highly educated, unemployed and lacking opportunity. Highly educated people want to be able to work in order to afford food and fuel, shelter and peace of mind. Some countries do not allow people to come and leave the country freely. Some others require a man's permission, his signature, for a woman to travel. How healthy is your country if you don't allow your people to travel, leave or make decisions for themselves?

A 2002 study by the United Nations noted that problems would be coming, and here they are in full bloom. That particular study said the main issues then were political freedom, democracy, the promotion of knowledge, personal empowerment and the equal rights of women.

People are already speculating on all of the outcomes of this. Will oil prices spike? Will commodities explode? All of this is premature, we'll just need to sit back and see how things play out. I suspect that if a few million people find a way to live freely and add value to their lives and the lives of others, the world will be a better, safer place. This process may also provide another barrier to the extremists. I don't see much downside to the world losing oppressive leaders and allowing people to use their God-given talents and to better their lives.

☺

# Working People

Jobs are on the mind of everyone in the world today, and it's a global issue, not just one for the USA. Our unemployment rate has just declined substantially for the first time in years; it's now officially at 9.0%, down from 9.6% just a few months ago. It's still a high number, but we can see progress in this area. The government's move towards the center aisle appears to be the way forward and corporations are beginning to hire again. Many companies will need to, orders are through the roof and inventories are nonexistent, but there are still concerns for businesses over the health care law, taxes, insurance, etc.

We'll work through it as we always do, but it's important to realize that various aspects of the population have very different employment scenarios. Let's look at unemployment rates based on education and see how that divides up America. If you didn't finish high school, and yes that sadly still happens, your unemployment rate is 15.7%. If you have a high school degree it is 9.8%. If you have some college education it falls to 8.7% and if you have a bachelors degree or more, the unemployment rate is only 5.1%, which is approaching a healthy level in any economy.

We can further define the employment scenario by region or industry. The hardest hit areas are those on the coasts and ironically, the states with higher taxes have the most unemployed citizens. The Midwest, especially the northern Midwest, is the fiscally healthiest part of our great nation. If you're a professional in a service business there is great demand for service, but if you're uneducated or in construction, government, arts or entertainment it's a bleak picture out there today for you.

## Comparative Unemployment Rates:

Thailand	1.2%	Norway	3.7%
South Korea	3.7%	Switzerland	3.9%
Australia	5.1%	Japan	5.2%
Mexico	5.6%	Germany	7.1%
Canada	8.0%	Sweden	8.3%
Syria	8.3%	Italy	8.4%
France	9.5%	Egypt	9.7%
Portugal	10.7%	India	10.8%
Saudi Arabia	10.8%	Poland	11.8%
Greece	12.0%	Iran	14.6%
Sudan	18.7%	Spain	20.0%

## Noteworthy News!!!

- Congratulations to Richard Lockwood on his new position with Anthem! ☺
- Congratulations Ryan & Meredith Trimble on the birth of baby Madeleine, she joins big brother Ian! ☺
- Congratulations to Kevin Young on his new position with MetLife! ☺
- Congratulations to Bill Braun on his recent retirement! ☺
- Congratulations to Jeff & Caroline Mickiewicz on their marriage, the beginning of a beautiful life together! ☺
- Congratulations to Brian Hurlbut on his new job at Yale! ☺
- Our condolences to the Kuzianik/Busel/Jarrett families on the passing of Patricia, a wonderful woman, wife, mother, grandmother, aunt, friend and person. She'll be missed dearly.

### State Pleading

We're in a place economically now where the states are going to have to wake up and do something responsible. There are some games that are played that most people are unaware of when it comes to budgeting in states and government in general. Laws written by dumb politicians have built in cost escalators that increase budgets each year even before there is a vote. Let's say last year's Medicaid budget was X, this year it'll be X + 13% as set by law. Any change to the + 13% is viewed as massive spending cuts, when in reality it's just not going up. This is the type of political crap I am just tired of and it needs to stop. New York, amazingly, is beginning to challenge the status quo on this! Did I just really write that? New York is going to do something fiscally responsible? We may be entering the twilight zone!

Government exists on bond issuance, selling bonds to the public to fund their operations. Bonds are paid back at maturity by the issuing body by saving each year in a "sinking fund" or just refinancing the debt as it comes due. Some people, including me, are keenly aware of the long list of bad decisions that have gone into political games and union favors over the years, and now we are just plain old fuming mad. This is changing how states try to raise money. Traditionally a state would hire a money firm to sell their bonds, but the demand lately isn't there on state issues. Not only are the states a political mess, there is real risk in investing in government at this level in the welfare state world. I think the brick wall of fiscal accountability is now viewable from the train.

The states have turned to marketing gimmickry to try and avoid the traditional capital markets through professionals and lure people on their own. They've begun to market to small investors and are hitting their emotions, calling investing in municipals a "civic duty" and hoping to close a huge budget gap this way. Don't fall for it; there is way too much risk in municipals today! ☺

## Import Export (Cont'd. from page 1)

perhaps irrelevant, on many levels. Take the iPhone, it's considered a Chinese import, wholesale value \$178.96. The reality is that it's only assembled there, adding \$6.50 to China's share of the iPhone's total cost. This little phone contributes \$1 billion, supposedly, to the China trade deficit. That is a fallacy, as are a lot of other issues people worry about when it comes to the global economic landscape.

The data the government reports regarding imports and exports needs to be taken with a grain of salt. The world isn't coming to an end and China isn't going to take over anyone or anything in the near future. People are frustrated with China's currency value and unfair trade practices. It's justifiable. China is grappling with a lot of big issues, and balance is important here. China has the world's largest population and has massive potential, but right alongside that potential are massive problems. As the government tries to balance things out and ride through this storm, we'll see how successfully they can do it.

I like a lot of what China has to offer. I also worry about the sheer size of the population and how the government deals with it moving forward. China is like two countries in one, the cities are one country and operate very much like America, but with total government control and censorship and state owned monopolies, with some room for private firms. Protectionism is starting to become clear, and many large multinationals are balking about the rules the Chinese government sets up to allow them access to their markets. They often require foreign firms to partner with Chinese firms and give up all their trade secrets to get access to the country, the rules are subject to change at any time.

Simultaneously, they have their last 5-year plan which was supposed to ramp up infrastructure and move everyone to the big cities. It has partially succeeded in that they have a lot of monster cities, partially cutting edge and partially old huts. Those who are in those cities are hungry for an American lifestyle. For the other portion of the population, the plan has failed miserably. China built massive cities with the expectation everyone would come to them, but many want no part of it and some are leaving to go back to the country as the economy falters. The people in the country are mostly very poor and live as do other emerging countries, with very little of what we take for granted in America.

With 1.5 billion people and no social programs to fall back on, how will the Chinese government deal with an aging population? They certainly have a big auto opportunity, and we're taking advantage of that. China is big all over, a few months ago there was a traffic jam there that lasted a week. Yes, a week. Can you fathom that? We get aggravated here in America if we have to wait on the expressway for 30 minutes, how does 169 hours sound? When the recession hit and the news of lead in toys came out, China was closing 2000 toy factories a month. How many can they have? I cannot fathom it either. This business-killing will also happen as they allow their currency to appreciate against ours, so how will they do that? It'll be a very interesting ride! ☺

# The Anatomy of a Rollover



## Money Quiz

This month's challenge is to tell me how many deaths per year are related to smoking cigarettes and related illnesses, such as lung cancer or respiratory illness? I'm looking for a % of deaths as well as a number. Last month's quiz was won by Linda St. Pierre. ☺ Of the 76 million homes in America, 24 million are paid for, no debt whatsoever. The winner will enjoy a meal on us at Ruby Tuesday 02/14/11: 13

## Laser Mania

There is a wonderful new technology out there that shoppers should embrace. It is a laser scanner on today's high tech cell phones. The technology scans the bar code of an item, any item in any store, and immediately compares prices. It'll compare prices of an item that you're looking for in any store within a specified radius, such as 5, 10 or 15 miles away. It'll then compare prices to any online retailer. This is powerful stuff, it no longer takes hours and days to see who has the best deal on any given item.

This is a huge time saver, but it will not show you which stores have sales or specials, it just provides you with a baseline to see what the current price is. My kids now use this technology when shopping, and this is an instance when I'm happy for them to have a cell phone. They don't have their own, but they can borrow mine anytime to compare prices and make sure they're getting the best deal in our area on anything they want to buy.

In general, one item to keep in mind while shopping is that no one store has the best deals on everything you need, if they did that store would no longer be in business. What most stores do is get you in the door with a great price on an item or a few items. These items are generally referred to as "loss leaders" meaning the store actually loses money selling them, but if it gets you in the door and you buy other items, it all works out in the end.

As a shopper, it is important to plan ahead and be open minded. Often times you can buy a large ticket item for a great value, but get killed on accessories. We recently bought a new washer and dryer at over 50% off, but if I bought a new vent, cord and surge suppressor from the same place I would have lost most of my savings. Flat screen TVs are cheap now, but watch the cords, you can get killed on cords, the prices will strangle you. If you're an audiophile and like great wires at reasonable prices, go online to [www.bluejeanscable.com](http://www.bluejeanscable.com) and get the best quality out there for a decent price. ☺

Rollovers are something we do daily. Most people just rollover in their beds at night, but we do two types of rollovers daily. We do the rollovers we all do in our sleep from time to time each night and during the day we also do the rollovers of money from one account to another. These transactions are often the largest transactions a person ever makes in their entire life. The comments I consistently hear from these transactions are mostly, "Wow," or, "You don't see this amount every day," or something to that effect.

As tax time approaches, we need to think about how to properly report a rollover for income tax purposes and how it is or isn't taxed. If you're just rolling your money over from an IRA to another IRA, or a 401(k) or pension to an IRA and not taking any money out to spend, it's not a taxable transaction. This transaction isn't taxable, but it's reportable for informational purposes only. If you're taking money out and putting it into your checking account to pay the bills, buy a new car or otherwise consume the income, it is indeed taxable to you in the year you take it out of the account.

Let's say you retired from working at your employer for 40 years and you roll your 401(k) and lump sum pension plan over to your IRA. Sometimes the plans may have after-tax portions that are eligible to be rolled over to your Roth IRA as well, these are home run situations. Once the rollover is initiated, the relinquishing trustee will not withhold any income taxes. It is your responsibility at tax time to inform the IRS that you indeed made a rollover of your account. If you don't inform the IRS, you'll get a letter from them about 2 years after the fact saying you owe a lot of money in taxes, interest and penalties. It's an ugly letter, so try to do the reporting properly. The only good news about the letter is if you get one, we can make it go away with proof of what you did. That doesn't remove the stress you endured from the moment you received the letter to the time you speak to us. These letters typically come on Friday night just before a 4 day weekend! ☺ The 5498 reporting system lets the IRS know something happened to your account, and if you don't report it as a rollover they of course assume you took it all out and spent every nickel. I have never seen this happen in practice, but this is how bureaucracies operate.

Our example retiree worked for United Technologies for 40 years and upon retirement rolled over her 401(k) and pension to her IRA, the combined value was \$782,323.91. None of this rollover is taxable in any way as long as it all goes directly to the IRA and doesn't pass go. ☺ On your form 1040 that you send into the IRS there is a line for IRA distributions; this line is of great importance on how rollovers are reported. When filing taxes for that year in January – April of the following year, the entire amount of the rollover should be reported on the taxable IRA distribution line, \$782,323.91. Over to the right on the same line, what should be reported as the taxable portion is 0 (Rollover) to indicate that you didn't withdraw any funds, you just rolled them over. ☺

## Inspirational Quotes

- What you get by reaching your destination is not nearly as important as what you will become by reaching your destination ~ Zig Ziglar
- In the confrontation between the stream and the rock, the stream always wins, not by strength but by perseverance. ~ H. Jackson Brown
- Always make a total effort, even when the odds are against you. ~ Arnold Palmer
- There is no beauty but the beauty of action. ~ Proverb
- Action may not always bring happiness, but there is no happiness without action. ~ Benjamin Disraeli
- Well done is better than well said. ~ Benjamin Franklin
- Challenges are what make life interesting; overcoming them is what makes life meaningful. ~ Joshua J. Marine



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



Kids can take on so much more than we realize. My darling little angels recently watched a show on television about couponing, and they're on a new kick. They saw someone go to the grocery store and get \$600.00 worth of groceries for \$10.00 and they're hooked. They've called all the relatives asking if they could save the coupons they don't use for them, and they're now on a mission, completely organized with three ring binders on each grocery store mission. This is a great learning tool for them. So far, the two most valuable lessons they've learned are to make sure the label in the store really is the correct label for the product on the shelf. I'm not sure if stores are just sloppy or they do this on purpose, but Hannah got nailed once, and I'm positive it won't happen again. She paid 50% more for an item and felt robbed. The next best lesson is to teach the kids to convert units to the same size for comparison shopping. Six ozs. of apple sauce should cost a lot less than 8 ozs., but many times it doesn't. They need to understand this. My crazy babies even use the red laser on the phone to be sure the price in this store is the best one around, before applying any coupons or savings. I'm so proud of the little darlings; it is this very mentality I use daily in looking for investments for all of us. ☺

### Connecticut Directory (860) 673 1942

Mike = [mike@fiscalwisdom.com](mailto:mike@fiscalwisdom.com)

Nancy = [nancy@fiscalwisdom.com](mailto:nancy@fiscalwisdom.com)

Betsy = [betsy@fiscalwisdom.com](mailto:betsy@fiscalwisdom.com)

Andrea = [andrea@fiscalwisdom.com](mailto:andrea@fiscalwisdom.com)

Michele = [michele@fiscalwisdom.com](mailto:michele@fiscalwisdom.com)

Maureen = [maureen@fiscalwisdom.com](mailto:maureen@fiscalwisdom.com)

### New York Directory (315) 682 0348

Teresa = [teresa@fiscalwisdom.com](mailto:teresa@fiscalwisdom.com)

Mark = [mark@fiscalwisdom.com](mailto:mark@fiscalwisdom.com)

Jackie = [jackie@fiscalwisdom.com](mailto:jackie@fiscalwisdom.com)

Tom = [tom@fiscalwisdom.com](mailto:tom@fiscalwisdom.com)

Josh = [josh@fiscalwisdom.com](mailto:josh@fiscalwisdom.com)

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Connecticut Offices (860) 673-1942  
CT Toll Free (800) 843-4513  
New York Office (315) 682-0348  
NY Toll Free (888) 693-8390



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## 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

