

Sound Advice



Rod Tyler, CFP, RFP, CLU

“Hardly the end of the economic world that some predicted!”

Rod’s Quarterly Commentary:

The “Great Depression” That Never Happened: One Year Later

As I write this update it is mid-March, and I can’t help but recall the investment environment of a year ago. The broad market measurements as expressed by the S&P/TSX and Dow had just touched a new low. The usual media pundits were predicting a new “great depression.” The most pessimistic commentators were calling it the end of the economic world. And since it was all on TV, I guess you can be excused if you were only slightly convinced that it may be true.

Fast forward one year. The TSX and Dow are up 48.19 % and 53.71% from their March 9, 2009 lows (Source: Google Finance March 31, 2010). Hardly the end of the economic world that some predicted!



Warren’s Wisdom

Every year around the end of February, Warren Buffett of Berkshire Hathaway releases his annual shareholder letter. If you have never read any of his letters, you can find them at www.berkshirehathaway.com/let-

[ters/letters.html](#). After the momentous financial events of the last couple of years, I think you will appreciate some of Warren’s pithy and humorous comments.

While noting the fantastic opportunities available to purchase low-priced investments last year, he suggested: “When it’s raining gold, better to reach for a bucket than a thimble.”

Always the humorist, Buffett also noted that, when faced with understanding a specific problem, he was now in possession of a great new method of analysis. He referred to a European mathematician who, when faced with a complicated problem, said that the best thing to do was “invert, invert.” In other words, look at it from the opposite side. Warren noted that his new analytical tool had also re-

Warren's Wisdom continued.

vealed to him a very practical application: "Sing a country song in reverse, and you will quickly recover your car, your home and your wife."

He noted that in the middle of the recent financial panic he and his partner, Charlie Munger, had worked hard to invest the cash at Berkshire Hathaway by lending money to G.E. and Goldman Sachs, and by purchasing gum manufacturer, Wrigley, as well as Burlington Northern Santa Fe Railroad. He apologized for not being able to invest more money quickly, but promised to do his best in the coming year.

Lastly, he apologized to Berkshire shareholders for having lost money – about \$44 million – by recommending that GEICO Insurance issue credit cards to its customers. After acknowledging his mistake, he explained to shareholders that he had insisted to the company that he was

older and wiser than they, and that the idea for issuing a credit card was a good one. Now he had to admit that was wrong - He was simply older!

So why am I telling you about this? I have read the financial press and company annual reports for 40 years, and this is the only place you will find this kind of candid commentary on the state of a company's financial health and the truth about the impact of management decisions. It never ceases to amaze me that, when asked all kinds of questions by financial commentators, Warren Buffett replies with simple answers and great wisdom. Perhaps, acting on his own advice is the reason Warren Buffett has become the second richest man in the world, and has likewise made Berkshire Hathaway shareholders a lot of money.

It's All a Matter of Perspective

About 40 years ago I had the good fortune to be introduced to an idea that has forever influenced my thinking. Occasionally, I get distracted and forget this lesson. Then I come to my senses and I remember it. It has to do with the notion of perspective.

At the time I was an enthusiastic and inexperienced, wide-eyed 22-year-old in a volunteer organization teaching basic education in northern Saskatchewan to people who were bilingual in either Cree or Chipewyan and English. I had befriended two fishermen who had formed a partnership. One was of Cree descent, the other Chipewyan. Both were born with congenital hip dislocation and walked with a very distinct limp. Nevertheless, they had made the best of their circumstances by forming a partnership and joking about their limps. Since this condition affected opposite hips, they described themselves as windshield wipers. When they walked together, their limps were opposite and appeared like the motion of a car's wiper blades.

It was with this knowledge that I watched them coming up from the shoreline of the lake one early spring morning. On the ground was a light covering of snow that had fallen during the night. As a displaced southerner I met them with a bit of a rant, complaining that I didn't think very much of this late snowfall and lamenting that sum-

mer seemed so far away. They looked at each other, said something first in Cree and then Chipewyan, and then turned to me to offer this observation in halting English: "We understand you are new to the North. You are worried about the snow. But don't worry, Rod. That's just winter going back north." And with that they continued their laboured climb towards the town site, laughing aloud and probably about my naive perspective.

So why am I telling you this story? Well, one year ago you may remember how the news seemed all bad – that the economic news was so negative that the usual group of commentators was projecting another great depression, or something worse. And if there was any doubt in anyone's mind that this was true, you only had to look to the TSX market index on March 9th, 2009. It had reached a new low of 7591 (Source: Google Finance March 31, 2010). A year later I am pleased to report that nothing close to dire warnings of economic collapse has occurred.

Am I telling you that everything is once again perfect? Of course not. What I am saying is that the future is never as dire as you were led to believe by the media. Instead, faced with certain economic challenges, we simply adapt.

You might say, like my fisherman friends, that how you view the future is simply a **matter of perspective**.



Team Member Profile:

Zena Amundsen

What is your favorite Saskatchewan vacation destination?



Northern Saskatchewan holds a special spot in my heart. For two years our family lived 800 kilometers north of Saskatoon. We had the privilege of spending our free time in the spectacular Clearwater River area. The earliest fur trade accounts in this area date back to 1780's.

With the summer daylight being constant, I would often pack up the kids, dog and canoe and head to the river. We have many memories of our girls spending their childhood on the water in the canoe with their dog. Our trips were often joined by friends from the area who would introduce us to some of the most beautiful waterfalls, rocky

ledges and grand sites to be seen in Saskatchewan. I am sure the bears and moose heard us coming down the sand roads with the dog barking, the kids singing and the canoe on the van roof leading the way.

One of our family adventures on the Clearwater left me shaking my head and reminded me of the time that we were visiting Banff and a tourist had asked us, "When does the wildlife show begin?" We were on a day trip on the river and had decided to come ashore and take a lunch break. The girls had begun a round of the campfire song, "Going on a Bear Hunt". So, in the spirit of the moment we went for a hike while singing the tune. Our eldest daughter pointed out the first bear tracks. We were caught up in the singing and excited that our good fortune was truly leading to the next verse to our song. Our next few steps led us to the next development in the song the bear droppings. Well, this is the part that, as outdoor enthusiasts, we as parents should have known where this song was going to lead us. However, in the excitement of the moment, common sense was slightly delayed. While singing, "Going on a Bear Hunt, Gonna Catch a Bear," we found a bear! Our paddle home was quick and swift.

The Clearwater is a hidden gem that has taught my family many things. Our children still tell stories of their adventures and have a deep respect and love for the outdoors. Every summer our canoe gets dusted off and dragged to some new place. The girls are now old enough to paddle, so it will be my turn this summer to relax and cast a few lines.

For more information on Clearwater River Provincial Park you can visit Saskatchewan Tourism's website at <http://www.tpcs.gov.sk.ca/ClearwaterRiver>

How Much Does My Money Earn?

If you're wondering about current interest rates and income options, please take a look at the accompanying "Current Yields" graph courtesy of CI Investments.

Current Yield

INVESTMENT OPTION	CURRENT INTEREST RATE/DIVIDEND YIELD* (PRE-TAX)
Canada Savings Bond	0.4%
3 year GIC	1.3%
TSX Dividend	2.8%
10 year Gov't	3.5%
Investment-grade Bonds	3.1%
Real Estate	6.4%
High-yield Bonds	9.1%

*At February 26, 2010. Source: Canada Savings Bond Website Series 122, Bank of Cda, Wilshire Atlas, PC Bond, Bloomberg - code sprtre, Bloomberg - h0a0, within MLFI in Bloomberg



Great Estate Planning Failures

Harold Ballard (1903-1990) By Rod Tyler, CFP, R.F.P., CLU

This time of year marks the beginning of the Stanley Cup playoffs. Many diehard hockey fans are dedicated to following their teams all the way through the

playoffs which can last until June. For long-suffering Toronto Maple Leaf fans, this is never a problem. They were out of contention long ago. But it wasn't always that way.

Most of you will remember Harold Ballard who became a majority owner of the Toronto Maple Leafs in 1972. As recently as 1967, the Leafs had hoisted the Stanley Cup in victory. Since then, no such luck. Harold will likely be remembered as one of the true "characters" in Canadian sporting history. In addition to being owner of the Maple Leafs, he also owned the Hamilton Tiger Cats football team for eleven seasons. They succeeded in winning the Grey Cup under his ownership in 1986.

Harold is probably best known for his combative and contentious behavior. He also achieved another kind of infamy for his business dealings. In 1972 he was convicted for 49 charges of fraud, theft and tax evasion. He was sent to prison, to serve a nine-year sentence. After three years he was paroled. He returned to the Canadian sports scene as opinionated and belligerent as ever. While the stories of his financial and personal misdeeds are long and legendary, there turned out to be a different side to Harold Ballard, one the public never saw.

Prior to his death Harold Ballard had given his three children shares in Maple Leaf Gardens, which they later sold for \$15 million each. Upon his death, they were surprised to find that Ballard's will left most of his money to a charitable foundation.

Neither his children nor long-time companion, Yolanda Ballard, was satisfied. After a lot of legal wrangling, Yolanda obtained a slightly better settlement, but the remainder of the will stood "as is."

The failure that marked the Ballard Estate did not lie in the fact that the family did not receive a generous inher-

itance. They certainly did. In addition, the charitable foundation was generously endowed by an estate that was ultimately more valuable than originally calculated.

The real failure was that Ballard never adequately explained to those closest to him what his intentions were for the distribution of the estate. As a result, it seemed nobody was happy. Except maybe Harold Ballard, who had spent a lifetime creating dissension among his business partners, family and the players he employed. He succeeded at this during his lifetime, and after his death. While this may have been Harold's idea of how to settle his affairs, surely there is a better way to plan an estate!

Communication to family beforehand about your wishes and decisions will leave everyone in a much better frame of mind. Unless you have a desire to see a lot of unhappy family members, this one extra step will go a long way to ensuring family harmony now and after your passing.

As a Chartered Life Underwriter, facilitating family discussions regarding estate planning is part of my role. Please call me if you'd like to discuss any aspect of your estate.



Tyler & Associates Financial Services

2330 McIntyre Street
Regina, Saskatchewan S4P 2S2

Phone: (306) 525-5250
Toll Free Phone: 1 - (877) 225-5250
Fax: (306) 585-6117
Toll Free Fax: 1 - (877) 255-0122

Email: rtyler@tylerandassociates.ca
Website: www.tylerandassociates.ca

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