

Sound Advice

The Lasting Benefit of Failure



By Rod Tyler, CFP, CLU

In one year's time, I will be celebrating 30 years as a financial advisor and 40 years in business. It would be tempting to tell you that in all those years in business and as an advisor, I have never experienced failure, and if you were foolish enough to believe that, I might be able to sell you a few shares of Nortel or BreX. Many of my friends know I am an avid listener to audio books, and I read a fair number of the printed ones as well. My favorite topics include stories of business and economic failure. The reason is that failure is a great teacher. From the time we are born, failure leads us to success. For example, the only way to learn to walk is to fall down a few times. A baby quickly learns to balance itself because falling down is uncomfortable, and it slows you down. Likewise to be an effective advisor, you need to make a few mistakes, preferably using your own money. The mistakes become a very useful experience as you offer guidance and advice to those who have not yet benefited from the lessons of failure. Here are three of my failures and what I have learned from them.

No Insurance

At 25 years of age, fresh from my graduate studies at the University of Regina, I was a budding entrepreneur. Perhaps a more accurate description was that I was a raw rookie at business. I had lots of energy, lots of big goals and lots of opportunity, but I had no experience, and I had no mentor. I was operating a truck rental and leasing business in a remote northern Manitoba community. When I first arrived, there was only a winter road to the town site. I purchased a commercial building in which to operate my business. On the day that I completed the transaction, paying for all of it in cash, I contracted an insurance agent, asking to have it insured. He came out, took down a lot of detail and left saying that he would get coverage approved as soon as possible. That night a careless worker caused the building to burn. I was left uninsured. I learned later about how to obtain binding commercial insurance coverage, but that was a very expensive lesson. As I worked outside all winter, without a warm building, I learned a valuable lesson about covering my liabilities with insurance. I have used this life lesson to assist my clients to properly analyze their liabilities. Health, life, income needs, and assistance in obtaining proper insurance coverage. I can report that in the past year we have added millions of dollars of life insurance, of health benefits, and of income security for our own clients, and it's largely been motivated by my own experience of loss.

Investing Only to Save Tax

In 1987 I was celebrating my fifth year as a financial advisor. I had completed my financial



planning designations and was generally experiencing an excellent year financially. In fact, for the first time in several years I realized I would be facing a significant tax liability. As I reflected on how I had worked so hard to achieve this success I became less and less enamored of sharing a lot my earnings with the Canada Revenue Agency. One of my friends, who had chosen to become a stock broker, called to ask me how I was doing, and if I was experiencing business and financial success. I was a bit too proud, so I told him that actually I was doing very well and looking for a tax deduction. He was only too happy to accommodate me. He asked how much I would need to deduct from my taxable income. I replied about \$20,000. He said he had just the right solution. I accepted his recommendation on the spot, and three years later sold my investment tax shelter for \$3,500. Once again, this was an expensive lesson, but a very valuable learning experience. Over the past 23 years I have been very cautious about recommending investment decisions driven only by tax deductions. The lesson I learned is that you should only invest in things you would buy even if there were no deductions. I could have paid my maximum 50% tax on my \$20,000 and still have \$10,000 left over instead of \$3,500 three years later.

Trying to Do It All Myself

One of the great qualities often found in business owners and entrepreneurs, is their great work ethic and willingness to work very hard. It is very common to hear from successful entrepreneurs years after they have achieved success about how hard they worked, and their willingness to do anything required to achieve success. Consider the successful restaurant owner who did everything from cooking, washing dishes, ordering the food, running the cash register, even serving tables.

While I admire this quality, I also know it has some severe limitations. You may even have worked for someone who would often take over from you rather than allow you to learn from him or her. Early in my career, I exhibited some of those characteristics. I was so busy meeting with clients, completing financial plans, writing insurance, and keeping up with my own educational requirements, that I forgot to share the workload. Often the paperwork and my own affairs suffered. I hesitated to hire an assistant for several years. Eventually, however, I had an awakening. I attended a series of workshops with the Strategic Coach Organization, and slowly, I became aware of the potential of other people. This taught me how to identify my unique ability and how to find other people uniquely gifted to do the jobs at which I was really not very good. The result is that I am now surrounded with a group of uniquely talented individuals who make working in my business a joy. My clients are better-served by a dedicated group of team members who provide excellent service. I can now focus on my best abilities, and the rest will all be the result of great teamwork.



Maximizing the Return on Your Tax Free Savings Account

By Rod Tyler, CFP, CLU

January 1, 2011 marks the 3rd anniversary of the Tax Free Savings Account or TFSA. Originally introduced in the 2008 Federal budget, it eventually came into existence on Jan 1, 2009. Each person over 18 can add \$5,000 per year to this special sheltered investment account. As of January 1, 2011 that means you could have \$15,000 in this account, plus the

accumulated earnings. This is where it gets interesting. The architects of this alternate sheltered savings account did not intend the investments to be limited to the extremely modest returns of 1% or 2% typically available for a short-term deposit. However, because they ultimately were called tax free savings accounts, not tax-free investment accounts, and because they were introduced at the very time of the financial crisis of 2008/2009, virtually all of the contributions made by Canadians have flooded into short-term deposits as a choice of investment. You will have to live a long time and make a lot of \$5,000 contributions for this choice of investment to provide any meaningful financial reward. In fact, over 15

years your profit in that case would be a approximately \$13,196. Conversely, if you were to earn only 6% per year on your \$5,000 contribution, over 15 years this would accumulate to approximately \$123,632. The approximately \$48,632 profit, plus the principal, would be available to you at any time as a tax-free withdrawal. This doubles in the case of a couple, each contributing to his or her TFSA. If you would like to set up your own TFSA, or learn how to dramatically improve the return on the one you already have, call me and I'll be pleased to show you how to make your TFSA an investment account instead of just a savings account.

Team Member Profile



Introducing Rose Cicansky

Many of you have likely already met Rose by phone as you call into our office. She is a valuable part time member of our team who assists us one or two days a week at the reception desk. Rose is retired from a career in government, but likes to keep busy and enjoys meeting people. She cheerfully answers the phone and makes our clients comfortable with a cup of coffee or tea and some friendly conversation when they come in to our office. Everyone who knows Rose also knows how much she enjoys cooking, and many of us here at the office have enjoyed her delicious baking during the holiday season. In this issue Rose shares with us one of her favorite holiday recipes from her sister Josie.

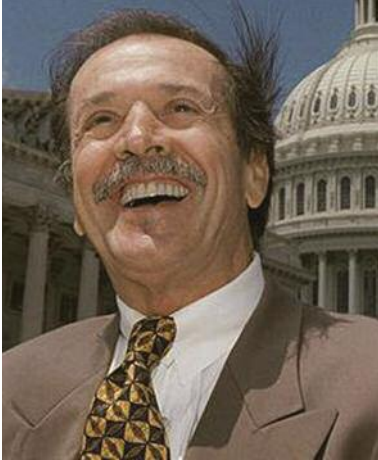


Josie's Dipped Cappuccino Shortbread

- 1 cup butter (room temperature)
 - ½ cup granulated sugar
 - 4 tsp instant coffee powder
 - ½ tsp vanilla
 - 1 ¾ cup flour
 - ¼ cup corn starch
 - 1 cup semi sweet chocolate chips
- 1) In large bowl cream butter and sugar. Beat in coffee powder and vanilla. Sift remaining dry ingredients (flour and cornstarch), and stir into butter mixture.
 - 2) Mold and shape the cookies into an oblong (the shape of a coffee bean).
 - 3) Place on greased cookie sheet.
 - 4) Bake at 325 degrees for 15 minutes.
 - 5) Place on rack and cool completely (cookies are fragile - handle with care).
 - 6) Melt 1 cup of semi sweet chocolate chips.
 - 7) Dip one end of each cookie into the melted chocolate. Set cookies back on cooling rack and allow chocolate to cool and solidify. Makes 3 dozen.

Millions Made, Millions Lost: The Estate of Sonny Bono

By Rod Tyler CFP, CLU



Sonny Bono's estate, punctuated by his complicated personal life and four marriages, represents a perfect example of "what not to do" when it comes to estate planning. Sonny committed the ultimate mistake by failing to write a will. Most of us remember or have heard of Sonny as part of the Sonny and Cher singing

duo, or after they were divorced, as part of the Sonny and Cher television show. While Cher has gone on to achieve her own special brand of notoriety, Sonny Bono will be ultimately be remembered as the most underestimated of individuals. During his musical career he wrote music recorded by singers such as Sam Cook, as well as those that he sang with Cher. He also worked with the legendary record producer, Phil Spector. It was after this period that he then became a successful television producer and appeared in numerous cameo roles in movies and television. While these accomplishments alone would have earned him a lasting reputation, he surprised everyone by subsequently entering politics and achieving a third successful career. Frustrated by local government bureaucracy while trying to open a restaurant in Palm Springs, he ran for mayor and was elected in 1988. He then ran for Senate, and was defeated, but in 1994 was elected to the U.S. House of Representatives. He was still a member of the House of Representatives when he was killed in a skiing accident in 1998. Even this official explanation of death has been questioned by a former FBI agent who believed he was the victim of a political assassination. One honorary poll bearer, Dominic Montemarano, was reportedly a Colombo family capo who had served 11 years in jails for racketeering. Of course, the funeral included a virtual Hollywood director's casting call by virtue of all the characters in attendance. It included famous Republican politicians, show business people, representatives of the church of Scientology and a sob-racked eulogy by his former wife, Cher, that would ultimately rekindle her declining celebrity. Everyone loved Sonny.

However, because he had failed to write a will Sonny's widow and fourth wife, Mary, had no time to grieve. She had to run to court so that she could be appointed the estate's executor. Then she had to file a special court petition to manage royalties and take advantage of the business opportunities before they were lost.

Predictably, other people, including Cher, lined up to make claims against the estate. Then there was the inevitable love child. They had to take a DNA sample from Sonny's body to determine whether this actually was his child. Now I understand this sort of drama is the perfect fuel for the paparazzi and Hollywood press, but Sonny could have saved his widow a lot of grief and aggravation. All that would have been required was to do some simple estate planning.

While our lives may never match the spectacle of Sonny Bono's, failing to write or update our will can result in a very similar outcome. If you would like to discuss your estate planning wishes I am always available to assist. I can help you identify your wishes, and suggest how you might accomplish them within your will. If required, I can also refer you to a lawyer specializing in this area of law who will draft your will. Call me at your convenience.



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