

Sound Advice



Rod Tyler, CFP, RFP, CLU

Rod's Quarterly Commentary

In recent days we have witnessed some remarkable events in the financial markets. The merger of Merrill Lynch with Bank of America and the disappearance of Lehman Bros. into bankruptcy in one September weekend certainly rate among the most memorable events in financial history. As you might expect, there is no shortage of "experts" predicting doom and gloom or even financial Armageddon. My take on all of this is that I beg to differ. In the short term there will be some adjustments. For example, if you were working for Lehman Bros. and lost your job, then this is not a happy time. Chances are, however, that if you have a good education and good skills, you will soon be working for one of the surviving financial

companies, or even in another industry. For managers of well run businesses, this is an excellent time to acquire inexpensive assets and superb employees. You also have the opportunity to expand market share by acquiring new customers and clients. If your company is providing a service or product that is truly valued and sought after by customers and clients, this is the best of times. You now have a chance to distinguish yourself by showing just how worthwhile you can be to your customers and clients. This is when great businesses are built.

Most of my clients know that displayed on the walls of our offices are financial memorabilia from times past. There are insurance contracts from the 1920s issued by insurance companies still in existence and still growing today. There is also a collection of cancelled cheques issued by Canadian banks that have since disappeared as they have been merged and acquired by the major Canadian banks of today - the ones we all know and recognize. The point is that it's at times like this that some of the greatest businesses are built. Great businesses take advantage of these types of opportunities to build bigger, better, and more profitable franchises because they are well managed by prudent leadership that understands exactly what is required to survive, prosper and grow while serving their customers and clients with excellent service and top-notch products.

As I look over our clients' portfolios, I see many such companies well represented. I am confident that many of these same companies are busy preparing themselves to prosper in the months and years ahead. This will surely translate into an improving bottom line for our client portfolios.

Elsewhere in the newsletter I describe how all of us at Tyler and Associates intend to follow this same process of building a great company by providing you, our clients, with improved service and commitment to your financial future. That is how great businesses are built!

Team Member Profile

Linda George has been a member of the Tyler & Associates Team since 2006. Linda expertly manages our client reception area and is likely the first person you will see or speak with when you drop by or call our office.

How would you describe your role on the team?

I like to think of my role as that of our team “Mom”. (Oh, and by the way, I am going to be a first-time Grandma in November!)

What is your favorite part of your job?

Organizing everyone and everything, whether they want me to or not.

What activities do you enjoy in your spare time?

I couldn't start my day, rain or shine, without walking my two dogs, Duke and Angel. It is not the weather but rather the squirrels or cats crossing our path that make each outing a new adventure.

Do you have a favorite recipe, joke or other item you'd like to share with our clients?



My second career, albeit an unpaid one, is assisting my daughter with her costume rental business, whether it is helping her move to new quarters, modeling for her website or walking in costume in the Buffalo Days Parade. Check out www.healeyscostumes.ca for more pictures, entertaining write-ups and to book your costume in time for Halloween. Here I am in a delightful delightful Dolly Parton costume includes her dress, choice of two belts, red cowboy hat, bolo tie and, of course, blonde wig. You provide the endearing down-home drawl, gutsy vocals, and... well, you know... everything else Dolly's famous for!

Our Business Plan

So often when we meet with our clients, one of the first questions we ask is “How are you doing?”. We're always interested in the new and exciting things they have to tell us, and the question often leads us to important and relevant discussions. I realize that is it also important for us to remember to turn this question around from time to time, and ask our clients, “How are we doing?” It is vital that we know the answers to questions such as; “Are we supplying you with timely service?” or “Do we contact you often enough?”. If the answers are positive, then we are encouraged. If not, we have some work to do.

Over the course of the next several updates, we will detail some of the key elements of our business plan. Since a business plan has many different components, we will endeavor to provide you with the most important parts of that plan. One of those components was noted in the article, “How Great Businesses Are Built.” We intend to continue to invest in our business despite the current environment by making the following improvements:

- introducing an electronic polling option that will allow our clients a continuous opportunity for valuable feed back and to express their opinions on a variety of matters that affect them directly;
- adding new technological capabilities such as new software systems;
- becoming more knowledgeable by taking additional courses and accreditations; and
- adding to our service levels by providing extended hours of service.

This is just a brief list of our plans to build a great business. As always, we invite your comments, feedback, and suggestions.

This is how great businesses are built!

The S&L Crisis vs. Today's Subprime Crisis

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It Only Seems Different This Time

Recent headlines predict “Financial Armageddon,” and so-called “experts” are saying that nothing in our experience will help us deal with the present catastrophe.

Every time there's a big financial setback, we are told (and many believe) it's like nothing we've ever seen before. However, perhaps today's subprime-induced crisis really isn't as new as it feels. Take a look back at the Savings & Loan (“S&L”) crisis of the late 80's and early 90's, and you'll see a strong resemblance to what U.S. banks and mortgage thrifts are facing today.

Brandes* During the S&L Crisis

Back then, we were busy analyzing the fundamentals of individual financial service companies, carefully scrutinizing metrics such as book value, assets, long-term appreciation potential, quality of loan book, and default rates. Considering that about 700 U.S. financial service companies would eventually go bankrupt, it's not surprising that most we looked at did not pass our tests. But in amongst them we managed to find select, sound companies whose stock prices had been unfairly knocked down along with the bad seeds.

Ignoring the panic and noise, our research showed that these select S&L's were well capitalized and had feasible long-term business models (even when accounting for potential write downs and bad loans) and were trading well below our assessment of adjusted book value.

We took a basket approach, purchasing a number of different S&L's. In the short-term, some suffered severe price declines, especially during 1990. However, as the crisis passed and rational thinking returned to the markets, our clients were well rewarded for their patience. Our positions appreciated rapidly in the early and mid 1990s, helping to drive our performance during the remainder of the decade and today?



While there is no guarantee that history will repeat itself, based on the similarities between last decade's S&L Crisis and today's Subprime Crisis (when comparing what our fundamental analysis is uncovering), we are very optimistic about our investment decisions.

Sound Familiar?

The environment during the S&L Crisis:

- Lack of regulation leads to imprudent lending practices;
- Increasing delinquencies on loans;
- Residential and commercial real estate values tumble as much as 50%;
- Credit markets tighten creating lack of liquidity;
- Many institutions go bankrupt or are taken over;
- Recession looming; and
- Military conflict in the Middle East.

The list below shows select U.S. Financial companies Brandes held between 1989 and 1995, for varying lengths of time, followed by the increase over average cost base to sale:

Albank Financial Corp.	+70%
Eagle Financial Corp.	+52%
Franklin First Financial Corp.	+182%
Freddie Mac	+422%
Greenpoint Financial Corp.	+52%
Heritage Bancorp	+74%
Liberty Bancorp	+79%
MSB Bancorp	+64%
United Federal Bancorp.	+138%



Why Do We Use a Tree as Our Logo?

Some years back, we were considering a new look for our company's logo. When I met with the designer, he asked me a lot of questions about our financial planning business, about what advice and service our clients were seeking and what our plans were for the future. Then he left.

A few weeks later, he returned with a new logo – the one you see on this page. I instantly liked it, as did the rest of our team.

We all recognized that it captured several themes of a financial planning business. It reflects where we live and work.

A tree, like a successful investment, starts small and then over time grows to maturity.

At maturity, it provides shelter and comfort,
just like a successful financial plan.

As a Regina-based company, it recognizes that virtually every tree in our community has been planted to be enjoyed by future generations.

Our forefathers recognized the value of a long term plan!



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If you know a colleague, friend, or family member who could
benefit from our advice, please call us.**