THE TYLER GROUP
Financial Services

Sound Advice

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The Seven Habits of Highly Successful Investors

By Rod Tyler, CFP, R. F. P. , CLU

Anyone familiar with the now famous book by Stephen Covey – ***"The Seven Habits of Highly Successful People"*** will recognize that the title of this article is an obvious play on that well known book. It has sold 15 million copies in 36 countries, and there is a chance that you may have read it yourself. However here is the question often asked, "What are the Seven Habits" cited in the book? In case you don't remember, no problem. You are not alone. Most of us have also forgotten.

The title of that famous book prompted us to write what we believe are the seven most important keys to achieving financial success. So in the interest of making you better investor here is our list of the 7 Habits that will help make you one of those **Highly Successful Investors**.

1. Define long term: Whenever our clients ask us for advice on investing money, our first questions are always the same. What is the purpose of the investment, and how long before you need the money? Based on the answers to these two questions, we have a better idea of the investment best suited to your goals, and of course, to your personality.

Do you need the investment in six months or a year? If you do, we need to be very cautious about what we select as a suitable investment. Most likely we will recommend a low risk income fund, with a record of steady, albeit lower, return. Translation: low fluctuation.

Now let's define a long term goal, like a successful and comfortable retirement. If you are 50 years of age today and are in reasonable health, there is a high probability you, or your spouse, will see 90 candles on a birthday cake. One of you may live past 100. Those are the current actuarial statistics, and they continue to be revised upwards as we all live longer.

So if you are saving for retirement you need long term investments, ones that will be able to produce an increasing level of income for the next many, many years. Short term investments, like the ones noted below, just won't deliver adequate returns. For that to happen, you will need investments that will fluctuate, but will ultimately produce superior results. A 2% term deposit just won't cut it, even if it is guaranteed.

2. Have enough liquid investments to comfort you during one of the inevitable market swoons. If you keep some of your investments in lower risk easily accessible investments, (a sort of rainy day fund) ,you can spend those funds, instead of the ones in your equity portfolio which will temporarily decline during these interruptions, but which will yeild longer term results in superior investment returns.

3. Diversify: You have all heard about people get-

Tip #1

Some part of the short term liquid investments that we are referring to could be a pre-arranged line of credit which can be also be used in Tip #2 that follows.

Tip #2

You can also use some of these funds to invest in the wonderful bargains that will inevitably occur during a temporary disruption. Consider it a chance to visit the financial equivalent of a Cosco or Winners store for investors. Lots of value at really low prices!

ting rich owning shares of Google or Apple from the very beginning of the company's history. They may have been one of the original investors. However, the overwhelming majority of the investing public (translation: you and me and all our friends and family) are not going to put our money into start-up companies. We find that just too risky, because most of those start-up companies never succeed. For example, Apple computer almost went under in the late 1990's. And the once largest company in Canada, Nortel, did go bankrupt, taking with it many people's hard earned investment funds. Air Canada declared bankruptcy not once, but twice. Your trusted financial advisor will help you overcome the temptation to "risk it all" on the surefire, get rich, popular investment theme of the day. He or she will help you construct a diversified portfolio that will protect you from your worst impulses, and allow you to accumulate and keep your hard earned wealth over a prolonged time frame. **Translation: Getting wealthy steadily and inevitably.**

4. Focus on your goals: Focus, focus, focus. That seems like such obvious advice, so why are we saying it you? We are reminding you that in a world of exploding information systems, instant gratification and countless distractions, focus becomes a huge advantage. Indeed, it becomes "The Advantage". Think of all the ways you can be distracted or misled to believe that something other than that goal you have is what you should be doing. Let's say you want to be financially secure and retire by age 60. If that is your goal, you need a written financial plan that details how you will achieve that result. This becomes your roadmap and you stick with it, even if some other negative emotions attempt to change your financial decision making.

5. Let market cycles be your friend: As you are aware, the value of all financial securities is cyclical. Sometimes we can be fooled into believing that a particular investment only goes up (house prices, government bonds, gold) to name a few examples. Likewise we can be frightened by certain events, for example, what our co-workers tell us over coffee, or what we heard on the radio or read on an internet site. The point is that if you react to every little bit of hysteria, ("if you don't buy now you will lose out") or ("if you don't sell now you will lose everything"), you are destined to fail financially. You need a sober second voice that will both help you at times of financial mania and who can help you take advantage of the oft recurring, but never predictable, and always temporary declines in prices of great businesses as represented in your equity portfolio. This leads to the 6th habit of highly successful investors.

6. Work with a Trusted advisor: I am sure you will agree, we all benefit from friends who know us well and who will help us make the right decisions, even, and especially, when we are tempted to do what seems to be the popular thing. That is what a trusted financial advisor provides, in addition to a wealth of financial knowledge that the average person just won't know. The advisor who takes the time to truly get to know you, your goals, your dreams and even your deepest concerns, will help you navigate the recurring financial decisions we all must make during our lifetimes. Helping you select the right investment portfolio for you is just one part of that process. Preparing for you a written financial plan is also critical to your success.

7. Last Point. Avoid the gurus and talking heads. Stop listening to anybody who tries to convince they know what is going to happen in the financial world in the next day, week, month or year. Much of what is reported in the media by "the experts" is little more than a guess by someone who wants to be heard. There is absolutely a long term direction to the accumulation of wealth. It is the patient accumulation of the shares of great businesses, often acquired at the point of a lot of negative sentiment and then held until such time that the shares are fully valued. No guru is likely to ever guide you to this decision. **Alternately, the combination of a trusted advisor and his/her access to experienced money managers who do that exact thing on your behalf, is a proven formula for the accumulation and retention of financial wealth.** The result is that you can and will achieve the goals and dreams that only you can determine.

In our next issue, we will share with you with **The 7 Secrets To Creating a Successful Retirement Plan.**

Have a great summer!

Huffingtonpost.com

Wearing Red in a Sea of Green

By Rod Tyler, CFP, R. F. P. , CLU

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As many of my friends, family and clients are aware, I have been a lifelong Saskatchewan Roughrider fan. And as you may also know, I am not alone. Just picture a sea of green clad Rider fans cramming into Mosaic Stadium or taking over half of the stadiums in Calgary or Edmonton. Proud Rider fans seem to be everywhere. Take a moment to think about it. What other team could have sold as much merchandise than all of the other teams combined in the Canadian Football League and did so when they were only one of nine teams? Further to that, Regina is one of the smallest of the cities in the league. Surely that must qualify (in the words of former U.S. Chairman of the Federal Reserve, Alan Greenspan), as a form of "irrational exuberance".

Now if you've ever been to such a game, or even watched it on your big screen TV, imagine showing up at Mosaic Stadium wearing a red jersey. Do you think you might feel just a little self-conscious? And can you imagine, unless you are an equally crazy and very brave Calgary Stampeder fan, that you would be willing to brave the inevitable heckling that you would assuredly be receiving from all those frenzied green-clad Rider fans? The pressure to wear a non-descript jersey or just switch to a green one would be enormous. Just in case you're in doubt, call me. I am sure I can find you a ticket to a Rider game and a red, orange or blue jersey so that you could personally experience the pressure to conform. Now that would be a very heroic act.

So why am I writing about "wearing red in a sea of green"? I am sharing with you the powerful and genetically encoded condition that virtually all human beings share, and that is the desire to be liked and to conform to the rest of our friends, or when in large assemblies, to conform to the crowd. Conformity is a primal force within humanity.

So let's take this idea one step further. As you know, I have another passion, and that is economic history and behavioral finance. Yes I know it sounds very academic and boring, but here's what it means to you. Imagine if you could go back in time and that you could do things differently, particularly with respect to investing. Let's call it economic time travel. The answer may be that you would do something differently. For example, would you have purchased more real estate in 1996, or perhaps bought Apple shares in 1998? The result would have been very rewarding as the prices of both your real estate and Apple shares would have soared in the years that followed. You would have recognized the low prices and great value in both of these situations. Likewise, if you knew in the year 2000, just at the time when the shares you may have owned in Nortel were skyrocketing that the company was soon headed for bankruptcy, you would have sold all of them. But would this have been a popular decision at the time? Of course not, and all you have to do is to go back and read the financial reporting headlines to see how difficult it would have been to make that decision. Once again, during the "tech bubble" at the end of the last decade we were confronted with a time of "irrational exuberance". Any company that had anything to do with the internet, was priced so high that buying it became a sure way to lose money.

We know instinctively that as a human being, it is simply easier to "do what most other people are doing". In each case noted above, if you had avoided following the crowd and used a rational approach to investing, you would have made a lot of money. Also you would have been going against popular investment recommendations. Figuratively speaking, you would have been wearing red in a sea of green.

So here's my point. If you're going to succeed as an investor, be prepared to look a little crazy in the short term in order to look smart in the long term. Be willing to wear red in a sea of green, and to do that requires extraordinary personal conviction and courage. Most importantly, your investment decisions should be based on facts, not emotions. This is the basis of a branch of investing called "value investing". Facts over emotion. Value before price. Indeed the willingness to look wrong in the short term has been the basis of the award winning records of some of the most successful investment managers of all time.

In the last 35 years, I have had the privilege of working with many investment professionals, many of whom have primarily been value investors in some way. Some individuals continue to practice their craft, while others have retired or passed on. Sir John Templeton of Templeton Growth Fund, and Peter Cundill of the Cundill Value Fund have achieved stellar results as value investors during their lifetime. Others such as Bob Krembil of the Trimark Fund have retired from public investments, but not before compiling an equally successful record of investment success. Charles Brandes of Brandes Investment Partners and Larry Sarbit of Sarbit Advisory Services have likewise compiled enviable investment records on behalf of their clients. And of course Warren Buffett of Berkshire Hathaway still continues to provide us with a living example of the success this investment approach can produce. Each have been willing to "wear red in a sea of green" because they saw value when others could only focus on price. They also had the ability to behave like Spock in the television series Star Trek. They let reason prevail and they minimized their emotional response. You may remember my last article: Captain Kirk versus Mr. Spock". If not, here is a link to that article:
http://thetylergroup.ca/wp-content/uploads/2013/04/SoundAdvice-Spring2014.pdf

Finally, if you are wondering why I am sharing some of these stories with you, it is because I believe they can help you become an even more successful investor. Sometimes we ask our clients to focus on value and not price. Sometimes we ask our clients to look far enough ahead to make emotionally uncomfortable choices because we think that is what will get the financial results you want Think of it like the advertisement for Buckley's Cough Medicine – "tastes awful but it works".

In the meantime, I can report to you that I have once again renewed my Rider season tickets. Indeed I like the game and the team of course, so that I usually go to one or two "out of town" games every year. If you are watching a televised game of "The Banjo Bowl" in Winnipeg this September, you might just spot me in the crowd "wearing green in a sea of blue and gold". Go Riders!

The Results Are In!

You may remember receiving an email invitation a couple of months ago from Advisor Impact asking you to rate our service to you. We repeat this same process every two years.

Here's how you rated us:

Our overall average score on a scale of 1-5 was 4.8.

Here are some of the findings:

1) **When we asked you about your insurance needs 50% reported they need additional advice or coverage.**
2) **When asked if you and your family have ever held a family meeting about finances and estate planning, 46% said they have not yet done so.**
3) **When asked if you have a financial plan, 6% do not have a plan and 32% don't remember when it was last updated.**

While we are proud of our results, we are also mindful that we will continue to work on improving our overall service and advice. As always, we welcome your input and are here to answer your questions and assist you.

If you'd like to further discuss any of the areas mentioned above please give us a call at 306-525-5250 or 1-877-225-5250.

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At **THE TYLER GROUP** we accept new clients on a referral basis. If you know a colleague, friend, or family member who could benefit from our advice, please call us.