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Financial Services

Sound Advice

A Great Idea

Whose Time Has Yet To Come

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

As I am writing this installment of "*Sound Advice*", there is a great deal of excitement in the world of consumer technology about the most sought after, must-have and popular new electronic gadget: the Apple IPad3. Depending on your age and interest in all things technological, you are either completely aware of the new possibilities offered by a whole new range of smart phones and tablet computers, or you are overwhelmed by the whole idea of technology. Either way, you will agree that the IPhone, the Blackberry, and the many other imitations of these devices are quickly changing how we interact and connect with each other and the world around us.

Before I continue in this discussion, I am going to ask you to step back in time, to a simpler era, before personal computers, cell phones and the internet. Let's go back 30 years to the early 1980's. In 1981, I was engaged in a major career change. I had sold an existing automotive business that I had been operating for 9 years. While I was preparing myself for a new career, I encountered a bit of a challenge. I wanted to get involved in a new entrepreneurial business, a business that would be forward-looking and would utilize my newfound entrepreneurial experience and passion. The question for me was: What business should I pursue? I studied numerous possibilities, and after weighing all the options, I decided on the idea of a barter business, based in Regina. If you are wondering what a barter business is, then read on.

The concept of "bartering" has been around for ages. You may recall how the Dutch settlers "bartered" for the land that is now Manhattan Island by trading with the original Aboriginal inhabitants.

My idea was that virtually every business or professional service always had some unused excess capacity – theatre tickets that were unsold, or restaurants with extra tables that could be occupied. In the case of someone who sold a specific form of goods, such as garden produce or paving stones, they often held unsold inventory. My plan was to arrange a location where a merchant or a professional could barter his or her unsold inventory of goods or services to another buyer in exchange for something for which the other party also had a surplus supply. So far so good, I thought. When I discussed the idea with prospective members of my barter club, they could all see merit in exchanging something they had in abundance for something they could use. It made

good business sense. The challenge I came up against was to develop a system that would keep accurate records of everyone's inventory and credits so it would be fair for everyone. In effect, I would be like the banker in a monopoly game. In exchange, I could receive a percentage of all of the business transacted, and of course everyone would benefit by being more prosperous and happy.

At this point, I encountered my first major obstacle. Up until this time, I had invested a good portion of my money in developing a logo, printed brochures and forms, and plastic membership cards resembling credit cards, produced in bulk. Everything was set to go, except for one thing – a computerized record-keeping system. As I describe my search for what, in the present, would be little more than a student project for an introductory business class, you are welcome to laugh with me, or shake your head in disbelief.

In 1981, the concept of the micro-computer – the "PC" – was virtually unknown to anyone but the early followers of Steve Jobs and Steve Wozniak of Apple Computers, or Bill Gates of Microsoft. If was going to get access to such a record keeping system, I was told, it would have to be programmed into a large IBM computer using keypunch cards. I was also told by the computer "experts" of the time that the cost would be substantial – tens of thousands of dollars to program, and expensive to maintain and operate – and that anything else was not possible. As for the idea of using a micro-computer, well they were just silly toys, incapable of doing the job.

As humbling as the advice of "experts" was, it was largely true! Unless I would barter for a mainframe computer programming and computer usage, I was out of luck. In conclusion, I chose to put aside my "great idea", and absorb the lost time and money as a life lesson in my entrepreneurial journey, and took another path in my business career.

Recently I told this story to a very patient colleague. She listened to my story and then said: "You know, Rod, it sounds like you were thinking of Ebay or Costco, or Amazon before they were invented". And I laughed, but I quietly thought she was right. I was ahead of my time. Well at least that sounded like a pretty good explanation. Imagine if I had been the entrepreneur behind EBay or Costco?

This brings me to a point I want to share with you. If you stop to think for only a few minutes, you can name a dozen services or devices that are only possible today because the microchip that was only in its infancy in 1981. Had I only waited ten years, my "Barter Club" computing problem could likely have been solved for a fraction of the price quoted in 1981. To continue, in only a few more years, the arrival of the internet would have opened a whole new set of possibilities to my Barter Club members. When I want to feel good about myself, I simply declare that I was a "man ahead of his time".

As we marvel at how quickly computer technology has become part of our everyday lives, I suggest there is a valuable lesson available to all of us. Here it is.

Many people want to capitalize on the huge profits created by new technologies but do not have the time, money or know how to research the companies that create new products such as the IPhone, or the service companies such as EBay or Amazon. I suggest that a better way to own a piece of the pie, and not risk all your money in the next "Prairie Barter Card", is to own a selection of companies chosen by a professional manager who understands both technology and how to make money buying the right companies. In my next article, I will tell you why I think the ownership of technology companies could help you achieve financial success.

If you wonder why economic or political change can seem so slow, consider the following:

"We all know what to do, we just don't know how to get re-elected after we've done it." Jean-Claude Juncker

Jean-Claude Juncker - current Prime Minister of Luxembourg and the longest-serving head of government of any European Union state.

Estate Planning Failure

EASY RIDER: The Life and Times of Dennis Hopper

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

As someone who likes to go to the movies, writing about a former movie star is a fun and easy task. To write about someone whose acting and directing career spanned fifty plus years is doubly fascinating. As a financial planner, to write about the estate failures of such a celebrity is especially compelling.

Dennis Hopper is probably best known for his role and direction of the 1960's signature film, "*Easy Rider*". If the music entitled "Born to be Wild" begins to play in your head, then you have likely seen the movie. Together with actors Peter Fonda, Jack Nicholson and Terry Southern, Hopper's portrayal of a counter culture figure is probably as close to an autobiography as could be written about this complex man. Film critic Matthew Hays said that "no other persona better signifies the lost idealism of the 1960's than that of Dennis Hopper".

While he obviously possessed great skills as a character actor and director, he lived his life in a state of constant chaos, fueled by drug and alcohol use. It was not until in his later years that he was able to achieve some 18 years of sobriety. Perhaps his early role in the James Dean film, "*Rebel Without a Cause*" was a preview of his life to come.

Dennis Hopper went on to play a variety of villains such as his role as a crazed Vietman era photo journalist in "Apocalypse Now". However, it was his portrayal of the iconic villain, Frank Booth, in "*Blue Velvet*" that truly revived his career. After reading the script, Hopper contacted the director, David Lynch and told him: "You have to let me play Frank Booth because I am Frank Booth". That same year he received an Oscar nomination for Best Supporting Actor for his role as an alcoholic basketball coach in the movie "*Hoosiers*". He also directed the film "*Colors*" and played an erratic and disgraced former cop in the movie entitled "*Speed*" featuring Keanu Reeves and Sandra Bullock.

In addition to his work on the big screen, Hopper appeared in 140 episodes of television shows such as "*Gun Smoke*", "*Petticoat Junction*", "*Bonanza*", "*The Twilight Zone*", "*The Barbara Stanwyck Show*", "*The Time Tunnel*", "*The Rifleman*", and the list continues. Somehow, Dennis Hopper's talent always managed to persevere despite his chaotic life.

Hopper's love of photography, poetry and painting led him to become an avid art collector, particularly of "pop art". He began collecting in the 1950s. He was friends with many California artists, and consequently bought a lot of gems over the years.

Adding to the drama of his life, Hopper was married five times and fathered three daughters and a son. The marriage to this second wife, Michelle Phillips, lasted all of two weeks.

When his children decided to liquidate his art collection after his death his collection included such works as an early "Andy Warhol" print of the iconic Campbell soup can, and a "Blue Mao" print". This last print sold for $302,500 at an auction perhaps because it had two bullet holes in it, fired by the actor when he was intoxicated and subsequently prominently marked by Hopper and Warhol together. A final auction of some 300 works of art works owned by Hopper yielded in the neighbourhood of $3 million dollars. As you can appreciate, the amount of money in Hopper's estate was beginning to add up.

At the time of his passing in 2010, Hopper was in the process of divorcing his fifth and last wife of 12 years, Victoria Duffy. It appears that toward the end of his life, Hopper was under pressure from his other children to seek a divorce from Duffy. Although Hopper and Duffy had signed a prenuptial agreement giving her 25% of his estate if they were living together at the time of his passing, they were by then estranged, so the matter remains unresolved.

Let's consider the conflicting interests of Hopper's beneficiaries at the reading of his will. On the one side of the table sits his trustees and his children, headed by his oldest ***Cont'd.***

Teaching Children About Spending and Saving-

What is Your Best Advice?

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

The one piece of advice that I would share with parents about saving and spending is that children will eventually "do what you do", as much as they will "do what you say". Therefore your own habits as adults will ultimately have a great effect on the behaviors your children eventually exhibit. A second part of this equation is that habits result from repetition, not pronouncements. Your children will develop good habits with your mentoring and encouragement. The point here is that we can't "outsource" our role as a parent. It is a full contact, experiential and prolonged commitment.

I once had the occasion to listen to a very successful business woman tell us how she had decided to teach her own children the value of money. She been the CEO of a major New York banking business, began to feel "burned out", and decided to return to raising her family and writing about teaching children about financial literacy. Here is her formula as I best remember it.

She had all her children do some household chores, even small ones. That was the condition for them receiving their weekly allowance. By this mechanism, she was able to teach them that money had to be earned, and that it was not an entitlement. Once they received their weekly allowance, it was divided into these categories: 50% could be spent right away on whatever they wanted, 30% had to be saved for something that they could buy in 6 months. The remaining 20% was to be divided equally between something that was a long term saving of a year or more, with the last 10% w given to some worthy charity of their own choosing.

I still admire the simplicity of her system. She was simultaneously teaching her children to defer immediate gratification, the value of money earned, and the ability to assist others less fortunate. The key to success, however, lay in her commitment to stay with the program, even when the children would waiver. She looked upon each of these temporary setbacks or pauses as a valuable teaching opportunity. For that alone she would receive my vote as a great parent.

My father once said to me that if you never told people how to vote, what to believe and how to raise their children, you would probably do alright in life. I generally think he had it figured out, but I am pretty certain he, too, would have been overwhelming in agreement with this concept of teaching children about spending and saving.

HOPPER *Cont'd.*

daughter, Marin. She is five years older than her "stepmother", Victoria. With the tensions existing between the various parties involved you can understand why the settlement of this estate is so challenged.

Hopper had also created a trust which he updated after his relationship with Victoria had soured. Had he not done so, Victoria would have received a big share of his estate and his children would have lost out. When Victoria filed a claim for some $45 million dollars, her claim was rejected. It seems ironic that the settlement of the estate of the actor made famous by the movie "*Easy Rider*" is proving to be anything but an easy ride.

What lessons can we learn from "*Easy Rider*"? While good estate planning does not prevent divorces, it can certainly minimize the predictable legal challenges after death. Although Hopper's life was chaotic, he did seek reasonably competent legal advice; he had a prenuptial agreement in place; he owned a million dollar life insurance policy, and generally provided for his children, including his son and daughter from his marriage to Victoria Duffy.

This leads me to the observation that one should carefully consider what you really want to happen to your "valuable stuff" upon your passing. If you think that your children will value all of the things that you have been collecting as much as you do, you may want to check with them first. In Hopper's case, his children were only too happy to let the auctioneers at Christie's dispose of his whole art collection for whatever money they could raise.

If you or someone in your family would like to discuss some aspect of your estate planning, please contact me. I would be pleased to assist in the discussion and then refer you to a lawyer specializing in this area.

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