

Sound Advice



My Travel Destination Bucket List, or Don't Leave Home With It!

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

One of my favourite pastimes on the weekend is to read the travel section of the *Globe and Mail*. I even keep a few of the articles as part of a bucket list of places to which I and my family may some day travel. Next year, I am going to put a few of those bucket list destinations on to my blog. Who knows, one of my destinations might even be on your bucket list.

Another observation I have had about travel is that I am still just a big kid with a child's fascination of how quickly we can transport ourselves from one place to another, and often with such ease. I have always enjoyed flying on any aircraft, whether it is the thrill of lifting off the water in a Twin Otter float plane or the huge thrust of a Boeing 747 jet setting off down the runway, and I am on my way overseas to a distant country. As I continue to read about yet another wonderful place to travel to, I am reminded of my conversations with so many of my clients. I am especially reminded of a group of younger clients for whom world travel is a given. They simply assume they can, and will be going to any point on the globe. There is a good chance that they will do just that.

Anyway, so far, so good.



Travel is the most common cited desire by many of my clients who are contemplating retirement. There is just one catch.



Often by the time that they are ready to go, they have challenges in obtaining travel insurance. They are ready and able to travel, but one of the spouses or partners are concerned about obtaining travel insurance. The coverage they get may contain excessive limitations and is limited to trips of a short duration. Finally, they often wonder if it will really pay benefits when a claim is made.

What if you were to make one decision that would enable you to travel as often as you wish until your 80th birthday?

What if you could pay for this coverage every month, and after ten years and no claims, you would receive one-half of your money back and still have your travel insurance! Now that sounds like a very good deal.

This is exactly the coverage that I have identified as an excellent fit for many of my clients – young and old. One of the insurance firms with whom we are associated is now offering this very attractive option.

For more information, please call us. Mea, Zena or I are all available to provide you with details and pricing.

Just for the record, I do plan on travelling until I am past 80 years old, and I do own this same coverage. Now it's time to start checking off some of those travel destinations on my bucket list.



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Selling to Warren Buffett

Every year, towards the end of February, I have marked a date on my calendar to which I truly look forward. That is the day that Warren Buffet's letter to the shareholders of Berkshire Hathaway is released for all to read. This year's letter was just the latest of a long series of gems. If you would like to read about the highlights of this 23 page document, you can read my article on my blog, on our new website under the title : "What does 9.6 trillion dollars look like?"

For now, I would like to focus on a simple idea: Is selling to Warren Buffet a good idea? Certainly Warren is one of the most celebrated and successful investment professionals of the modern era. You might also know that he intends to give away his entire fortune of some 40 billion dollars to the Bill and Melinda Gates Foundation to be distributed to worthy charitable causes.

But the question I am posing to you is: Do you think it is a good idea to sell some asset you own to such a sharp business person such as Warren Buffet? As it turns out, the answer to that question is really: "That depends". There are actually two different answers. Let me explain.

Let's return for a moment to Warren's annual shareholder letter to recount a couple of his stories. Some years ago, in Omaha, Nebraska, a remarkable business woman entered into an agreement with Warren Buffet to sell to Berkshire Hathaway a company she had spent forty-six years building. At the time of the sale, she was 89 years of age. In 1983, Warren Buffet- Omaha resident and the second richest man in the United States bought an 80% interest in Nebraska Furniture Mart on a handshake from the Blumkin family for \$55 million. He said that he would want to be involved in any business Rose Blumkin was a part of even if it

was a popcorn stand. Buffet had often thought of buying the store, and on his birthday just walked in and asked how much they would sell it for and wrote them a check.

The company she sold to Warren Buffet was called Nebraska Furniture Store and this remarkable woman, with the help of her family, had built this company from a fledgling furniture store to one that sold affordable goods to customers hundreds of miles away. Indeed, Warren noted in this year's letter that "Nebraska Furniture" was expanding to a new north Texas location, from which Berkshire estimates it will sell \$600-\$800 million dollars of merchandise per year.

Rose Blumkin, who founded the Nebraska Furniture Mart in 1937, helped her son and grandchildren build it into the nation's largest home furnishings store and continued selling carpet there well past her 100th birthday, died in August 1998 in Omaha. She was 104.

As I judge this business transaction, I would suggest that selling an active, successful business to Berkshire Hathaway and Warren Buffet was an excellent decision for Rose Blumkin. It has also been an excellent purchase for Buffet because the family has continued to run the business with the same fervor that Rose (or Mrs. B) had while she built in the successful enterprise that it had become. Berkshire Hathaway provided the family with a way to cash out while at the same time, continuing to help the business prosper. **Score one for the buyer and the seller!**

The story of Rose B. of "Nebraska Furniture" is so fascinating, I will be including a short history of her life and accomplishment on my new website blog. Go to www.tylerandassociates.ca and click on the heading **blog**.

The second way to sell to Warren Buffet is to sell him your shares of a publicly traded company. For example, over the years, Buffet has accumulated significant holdings of Coca Cola. In order for him to have acquired the 8.6% of Coca Cola he owns, he had to buy them from someone else who couldn't see the value that he did, or did not have the longer view of holding the shares for years or even decades. Indeed when asked how long he thought a holding period was for owning shares of a company, he said it was "forever". As it turns out, during 2008 and 2009, at the lowest point in the recent market decline, Buffet purchased a lot of shares in numerous companies in the Berkshire portfolios. Since that time the value of many of these companies has risen 30% or more. Translation: buy low.

In other words, selling to Warren Buffet at a time of market decline, is a bad idea for you, and a great idea for him.

WARREN BUFFETT *continued*

Now let's put this idea in the present context and consider all the headlines we read about everyday in all of the media sources: on television, on radio, on the internet and in the newspaper. Whether it is the latest bad news about Greece or Spain, or whether it is the news about the upcoming American Presidential election, the same message is continually repeated: be fearful. As the public becomes fearful, share prices of great companies decline. Of course the underlying message is that you should sell all of those "risky" investments called "equities" and put your money in a savings account.

A better idea is to do what Warren Buffet does and buy more great bargains when the rest of the public wants to sell you their shares at a big discount. I will give the last word to Buffet. He cleverly noted that during such temporary market declines: "...that when it's raining gold, better to have a bucket than a

dipper". **It seems there is always someone willing to sell to Warren Buffet.**

Just for the record, this is exactly what many of the managers of your investment funds are doing, and have been doing over the last while. They are acting, just like Warren Buffet, by buying at low prices from anxious sellers. Therefore, it is highly probable that your funds will reap the same benefits as Warren Buffet's usually does, when these same businesses will command much higher prices.

In this case, it is better to act like Buffet than to sell your shares to him.



To give our staff a chance to enjoy a brief prairie summer, our office will be open 8:30 to 4:30
July 3 – August 31.

Rod's summer hours will be reduced to Tuesday through Thursday for July and August, 2012.

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www.tylerandassociates.ca



Be sure to check out the **Blog Section** - there will be regular new postings from Rod as well as postings from guests.



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