

Sound Advice

Rod's Quarterly Commentary:

The Great Depression or The Great Disruption

I suggest that one of the most significant events that any of us can ever experience is "change." Change is often interpreted as threatening, or the enemy. Change has been accelerating at a rate never before experienced by our modern society, let alone the generations that went before us. At the heart of this change is the ever-increasing presence of the microchip. Consider the rapid expansion in the last 25 years of high speed communication. It is hard to believe that the idea of a 24-hour news channel like **CNN** is little more than 20 years old. How many of us can remember only a short time ago, perhaps 10 years, that the mention of the word 'Google' would bring only a blank stare. The point that I am making is that in a few short years we have quickly been exposed to an avalanche of never-ending news. Each day we are expected to process more information than we could have ever had imagined. Simultaneously, we are expected to keep in check our very human emotions of fear and greed. These two emotions, fear and greed, are well understood by the media, and so they are well used to get our attention. Just open any newspaper or watch any television newscast, and you quickly get the idea. The problem is that we are still the same human beings, with the same strengths and weaknesses that we have used and relied on for thousands and thousands of years. In the 24-hour news world, we have a problem – information overload and excessive emotional response. How has this affected us in the most recent period?

We need only to look back six months to March 9, 2009. This appears to have marked the low point for the market indices. It coincided with the emotional panic worldwide that we were headed for the next Great Depression. As I write this today, the TSX is up by 49.61% and the S&P 500 is up by 54.68% since March 9/09 (Source: Google Finance Sept 30, 09). That suggests that either the March lows were a gross overreaction, or that something else is at work. I suggest that it is both. The fearful or panic driven reactions to those March pronouncements by the media were grossly overdone. The same reports of the time forecast a catastrophe at every turn and pronounced that the world would be entering the next Great Depression. A more accurate way to describe this time period would be "The Great Disruption." The rapid explosion of easy credit, low interest



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The Great Depression or The Great Disruption ... continued from page 1

rates and over spending had created a bubble. The credit bubble has been burst for now. The real scoundrels, such as Bernie Madoff, have been jailed, or soon will be. And regrettably, there have been victims. But to understand what has really been happening, we have to look elsewhere. The real story is rooted in the rapid change brought on by a world adapting to the disruptive force of the microchip.

Most of the recent innovations in financial services, such as internet banking, have been the result of the microchip's ever-increasing capability to provide us with quicker, cheaper solutions to traditional tasks. This has been the positive side of such technological innovation. Some, however, such as credit derivatives and many similar financial innovations, have been a double-edged sword. They can be beneficial if properly used, or they can be, as described by Warren Buffet, "weapons of mass destruction." The best example would be the recent sub-prime loan debacle. The people buying or selling these complex financial contracts simply did not fully understand the product. As a result, they wreaked havoc in the financial world. But despite this setback, the financial world will move forward, continually adapting to the disruptive effect of the microchip.

The message I wish to convey is that while journalists would have us entering the next Great Depression, we are in fact going through a period of Great Disruption. How long will this disruptive force last? I don't know, but I expect it will be many years, if not decades. So how can you properly respond? How can we, as your advisors, provide you with the right strategies to not only survive the Great Disruption, but take advantage of the many opportunities that will be presented to you? For the answers to these questions and more please continue to read ***Succeeding during the Great Disruption.***



Protect yourself from the sensationalist media. Ignore the talking heads. They can't help you. Ask yourself, "What are they really selling?" The newspaper or television station needs to sell advertising to survive, and the use of sensationalist headlines is how they get your attention.

Do not confuse information or data with wisdom. We can heed the advice of Warren Buffet who says, "You pay a very dear price for a cheery consensus." Notice in the pyramid illustration above, that at the base is data and at the top is wisdom. And notice that only after working progressively through lots of data, distilling it to information, reducing it to knowledge and finally arriving at trusted wisdom do we have the most valuable insight. This is the advisor's role – to distill the information into wisdom from which you can benefit.

Take advantage of the great bargains available in under-priced investment opportunities. Our way of doing that is to utilize the most astute professional money managers who can discern the difference between change and catastrophe, and between value and price. Value always wins. For more on this, please read this month's article, "A Money Manager's Perspective."

Consolidate your borrowing at your lowest cost and maximize flexibility. For more advice on this, consider calling me or going to our website www.tylerandassociates.ca where we explain "How to save interest on borrowed money."

Speak to us about updating your retirement or financial plan. We're ready, willing and able to assist you. We're committed to helping you through this period of time. We'll help you get to the other side of the Great Disruption.

Finally, if you know somebody who seeks a second opinion, a family or friend who would like to know whether they're on track with their investments and their retirement planning, call me. **There's no obligation on their part. It's simply a part of the service we offer.**



Mea Cicansky, CFP

Team Member Profile

In the coming issues of Sound Advice, we will tell you about our favorite vacation spots in Saskatchewan. Perhaps we'll inspire you to get to know your province better and pay a visit to somewhere new.

What is your favorite Saskatchewan vacation destination?

One of my very favorite summer vacation destinations in Saskatchewan is Kimball Lake, located in Meadow Lake Provincial Park.

Each summer we have a Labour Day weekend tradition of heading up to Kimball Lake to join our friends who have a lovely cabin there. A relaxing weekend spent enjoying the company of great friends and fantastic food is a perfect end to the summer. This year we were fortunate to have ideal weather and we were able to swim in warm, clear water, take rambling strolls with the dogs, and warm ourselves by the campfire in the evening.

The park features many lakes to visit and great spots to camp. I suggest you check it out next summer!

Here's how the Saskatchewan Parks website at <http://www.tpcs.gov.sk.ca/MeadowLake> describes the park:



Meadow Lake Provincial Park is a string of sparkling lakes refreshed by the winding Waterhen River and set in a 100-km stretch of lush boreal forest. It's one of Saskatchewan's most popular parks, but it's also one of the largest. That means you can choose a setting as tranquil as a soaring eagle or as lively as a trio of teens tubing behind a motorboat.

At more than 1,600 square kilometers in area and featuring more than 20 lakes and a handful of rivers and streams, Meadow Lake park can be an entirely new experience from one visit to the next. Kick back at some of the best beaches in Saskatchewan, boat or windsurf at a new spot every day, or take a quiet paddle down a rugged shoreline for a close-up view of loons, grebes, ducks and maybe even a browsing moose or a great blue heron. Wake up your senses at Meadow Lake Provincial Park!

Come see why this place is an enduring favourite for many vacationers.

A recent story appeared in the Leader-Post about longevity that I thought would be of interest to many of you. It describes Dr. Shigeaki Hinohara's recipe for a long life. Among his many accomplishments, he has also written 150 books – since age 75!



The Secret to a Long Life

"While exercise and a good diet are important, he maintains that the most important things to living well and long are a positive attitude, and a never-ending desire to learn and explore."

Amy O'Brian, Canwest News Service, August 31, 2009

A Money Manager's Perspective

Article courtesy of Invesco Trimark



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About the company

Headquartered in Toronto, Canada, with 74,000 employees in offices around the world, The Toronto-Dominion Bank and its subsidiaries are collectively known as TD Bank Financial Group. TD Bank offers retail and commercial banking, wealth management and wholesale banking products and services. TD Bank is a top 10 holding in Trimark Select Balanced Fund.

Why we like this company

TD has, in our opinion, the best management team in the industry led by Ed Clark but supported by a strong culture that came with the Canada Trust acquisition.

Before the financial crisis hit TD exited many of the risky financial products that have come to light recently and as a result has been relatively immune from many of the problems that have hit its peers.

The bank also has one of the most attractive growth platforms in the industry with a well thought out US presence in both retail banking and wealth management.

TD is attractively valued as it has been brought down along with all banks during the crisis, a situation we feel is largely unwarranted.

DISCLAIMER: The information above is presented strictly as the opinion of the investment manager and is not intended to represent a recommendation by Invesco Trimark, PEAK Investment Services Inc. or Rod Tyler of Tyler & Associates Financial Services.



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