TYLER
& ASSOCIATES
Financial Services

Sound Advice

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

Successful Investing in a Forrest Gump World

I was recently reading a technical research paper written by a financial commentator, Michael Sneed. He suggested that the present investment climate might be considered very much like the world of Forrest Gump. Despite all the negative sentiments and the unending world of "crises", the world just seems to keep moving on. After a few minutes of reflecting on this, I thought he had a good point. Let me explain.

Who can forget the image of Tom Hanks as Forrest Gump sitting on the bench at the bus stop, all decked out in a white suit, and telling a succession of listeners his life story. Surely we all remember such memorable pronouncements, such as "Life is like a box of chocolates. You never know what you're going to get." Or, as he repeated what his mother said, "Stupid is as stupid does." So let's see if Forrest Gump can shed a little light on the present state of the world, and how to approach investment decision making.

If you don't remember this movie I recommend you rent or buy it, or just go to Netflix and watch it. It's a great film and I may watch it again, just for old times sake! At the beginning of the movie, you may recall that while Forrest Gump was told that he only had an IQ of 75, his mom, played by Sally Field, was determined that her son would not be a victim or considered a failure. As the film unfolds, Forrest proved his mother was right. He did achieve a number of great things. Basically, Forrest never listened to, or perhaps just ignored, all his detractors. His sheer tenacity to complete a task, combined with his simple response to life, insured his success.

Over the past several months, my colleagues and I at Tyler and Associates, have been sending out portfolio summaries to our clients. Increasingly, something very obvious has manifested itself.

"Life is like a box of chocolates. You never know what you're going to get."

Despite all sorts of negative news, you seem to be making great progress towards your financial goals. Like Forrest Gump when he set out running, you too have kept to your investment goals and plans. As a result, you are seeing the benefits of staying the course. Forrest could have quit running any time, but he kept running, for three years.

Five years ago, in September of 2008, the Western world was plunged into financial chaos with a succession of financial failures at AIG, General Motors, Chrysler, Lehman Brothers, etc. The list goes on. It would have been easy to simply cash in your investments, put the money in a bank account, and wait for some all-clear signal to be sounded by – well, I'm not sure who would have done that, or if it would have happened. But you get the idea. **Translation: sell low, and wait until you…. well, you know the answer… Buy high.**

Or in the wisdom of Forrest Gump's mother, "Stupid is as stupid does."

In another segment of the movie, Captain Dan, the Vietnam veteran, who lost his legs in combat and who Forrest befriends, eventually joins Forrest in the shrimp boat business. After a hurricane reduces the competing shrimp boat business to almost nothing, the Bubba Gump Shrimp Company prospers. Forrest then leaves the shrimp company in the able hands of Captain Dan while he attends to his sick mother. In his absence, Captain Dan invests the generous profits from the shrimp boat profits in a *little fruit company*, Apple Computer. You might say that Captain Dan Smith had morphed from a delusionary war vet to a very enthusiastic, forward looking fellow. I bet you wish you were also in business with Lieutenant Captain Dan Taylor! Well, in a way, as our clients, you really are participating in a range of growing investments, some of which maybe very well include that *little bit of a fruit company*, Apple Computer. Remember, the Forrest Gump movie came out in 1994, and a lot of has happened to Apple Computer in almost 20 years. For some of our thoughts on that subject, see our earlier article, *A Tale of Three Companies*. Perhaps we could all benefit from just a little of the new attitude of Captain Dan.

So here is my point. The world is filled with experts and naysayers. We can choose to listen to them, though I'm not sure we should. Their record of prediction is utterly terrible. Or we could follow Forrest Gump's example, and his mother's advice.

Better to continue doing the right thing, even when everyone else seems to be testing our resolve, because it eventually works out very well. And furthermore, listening to someone who claims to have a big IQ could be dangerous to your investing success. How many times have you heard some pronouncement by an "expert", only to find out later it really didn't happen that way at all? The better course of action is almost always to follow Forrest on your investment journey. If you are going in the right direction, keep on going. You will eventually arrive at your destination, even when the "experts" are busy trying to distract your attention.

Now just for the record, the investment world as measured by the 500 largest U. S. companies, also called the Standard & Poor's 500, fell to 1099 on September 29th, 2008, and was on its way to an ultimate low point of 683 in March 6th of 2009. Of course you will remember what all the financial experts were saying, and of course most of the predictions were for a very bad outcome. Just for the record, as this article is being written, on September 16th, 2013, that same index of 500 financial companies value is currently at 1697.60, a gain in excess 50%*.

It is also up 123% from the ultimate March 2009 lows!

I wonder what Forrest Gump would have said 5 years ago, and what he might say today. I think he would have told us that it is never as bad as you think and he would probably tell us today to look in our box of chocolates. You just might like what you discover!

Thank you for staying the course and enjoy your Quarterly Portfolio Summary coming soon to a mailbox near you!

* *Google Finance*

How are we doing?

As we have in past years, we will once again send you a client survey asking you to tell us how we are doing.

We look forward to your responses as they help us continue to improve our service to you. For those who respond to the survey, your name will be entered in a prize draw.

The Other Rule of 72

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

The Rule of 72 is a mathematical formula that was first referenced in print in 1492, the same year Columbus reached the New World. 500 years plus later it's still a valuable rule of thumb when you're measuring financial decisions. Let me explain how it's used.

Over the years, I've often cited this simple calculation to determine how long it takes money to double. Often, at a seminar if I ask the audience "how long does it take money to double"?, and I'll get answers like, "money doubles at 10% in about five years", or "is it seven years"?, or similar responses. The correct answer is very simple.

Divide the interest rate you want to use into the number 72.

72 ÷ 6% Interest = 12 Years

72 ÷ 3% Interest = 24 Years

For example, 72 divided by 6 equals 12 years. Therefore, at 6%, your money will double in 12 years. And of course, in 24 years, it will be four times larger. As you increase the interest rate, the time that it takes for money to double declines. Conversely, if you reduce the rate to say 3%, this same math applies, 72 divided by three equals 24 years. How do you feel about waiting 24 years for your money to double? I suggest that's a long time to wait.

Meanwhile, something else is happening while you are waiting for your money to double. The phenomena I'm referring to is the ever increasing cost of living that we all experience. Consider a simple example: how much did you pay for your first car? The longer you go back, chances are the less you paid.

This brings me to a second very handy way to use the Rule of 72. Instead of measuring how long it takes the money to double, **you can use this rule to determine how long it will take for the purchasing power of your money to be reduced by one half.** Stated another way, this means that everything you need to buy on average will cost twice as much. Let's try the math again. If the cost of living you are trying to determine is 3% per year, 72 divided by three means that by the time you're 24 years older, everything you need to buy costs twice as much. If you retire at 55, by age 79 you will need **twice** as much money to buy the same goods or services. And of course the price increases for some things, like healthcare or advanced education for example, could be much greater. Now think carefully how much more money it might cost you to buy everthing you need at 3% inflation if you were to live to 95 years of age.

Here is my point. If your investments can exceed the cost of living, you'll retire comfortably.

If not, you'll become increasingly concerned as you get older. Therefore, good advice and the right investments made now will help protect you in ways that you will truly appreciate in years to come.

In the next issue of ***Sound Advice***, I will share with you my advice for investments that can comfortably exceed the constant pressure of inflation and allow you to retire comfortably.

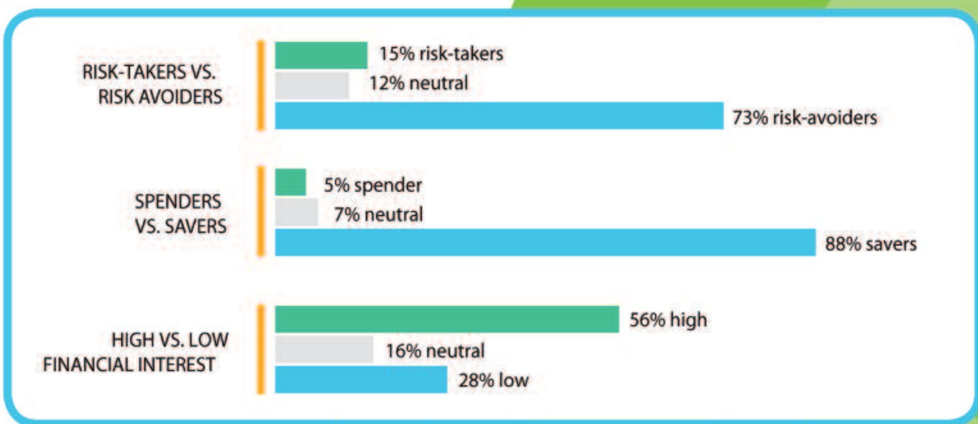
1980

2004

"I was pleased to recently be involved in selecting the winners to the Brandes Investment Partners scholarship program. Here are some details for any of you who may know young people who would like to apply next year."

A Great Success!

The 2013 Brandes Scholarship Program (BSP) wrapped up on July 2 and for the second year in a row more than 3,000 students participated! The results indicate that these students are preparing for a successful financial future, with most students identified as savers with high interest in financial matters.



Advisor Judging Panel

The 2013 judging panel consisted of a Bridgehouse Asset Managers moderator and five advisors from across Canada that are committed to promoting financial literacy with their clients and the next generation.

Rod Tyler ~ Financial Advisor, Tyler & Associates

"Participating as one of the judges of the Brandes Scholarship Program has not only been a privilege, but has given me an very unexpected gift. After reading a couple of hundred essays written by aspiring and motivated students, I am amazed at the interest in financial literacy by a younger generation. It has rekindled my hope for the next generation of Canadians and re-energized me to offer my experience to students in my own home town."

Qualifications

Students must be:

- Ages 16 to 22
- Residents of Canada
- Attending a post-secondary school within two years of applying for the BSP

Tyler & Associates Financial Services
2330 McIntyre Street, Regina, SK S4P 2S2
Phone: (306) 525.5250 Toll Free: 1 - (877) 225.5250
Fax: (306) 585.6117 Toll Free Fax: 1 - (877) 255.0122
Email: rtyler@tylerandassociates. ca **www.tylerandassociates.ca**

At Tyler & Associates 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.