

Sound Advice

“What are we hearing: the Signal or the Noise?”

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

On August 24th of this year, the financial news network was suddenly on full alert. The major market indices, particularly the S&P 500 or the TSX 300, were dropping quickly. You probably heard many of the reports about how this was a major event. I thought I would share with you one of the headlines in order to help you remember how this event was being presented to the public.

Here's my favourite:

“From panic to judgment day, investors struggle to explain rout.” - Bloomberg News, August 24, 2015

Readers of *Sound Advice* will know that while Al Kimber and I, together with the rest of the team at the Tyler Group, are certainly aware of these events, we are continuously counselling our clients not to react to them, unless of course you may have additional funds to invest. If that's the case, come on in and we will find a suitably discounted investment to add to your investment account. After all, we are like anyone else who loves a bargain, especially when these events present us with the greatest of bargains.

The question I ask is: *what did you think when you received the news? Or have you forgotten it already?* If you did – great!



As it turns out, it was “much ado about nothing” (Shakespeare). Let’s consider the message in the context of some of the history of communication.

In today’s world, it is virtually impossible to avoid reading about or listening to all sorts of “news”, that in the moment, seems so important. Is it important? Or is it just so much noise? To gain some perspective, let’s go back in time to consider how knowing the difference between the signal and the noise made all the difference.

When I was a young lad of about 8 years old, I asked my Dad what it was like to be in the war, and to be flying in bombers. I thought it sounded very exciting and adventurous. Dad never romanticized his time in the air force, but he described to me how he flew in one of the Royal Canadian Air Force bombers over the North Sea, looking for enemy submarines and ships. He told me that he was the wireless operator and tail gunner, and that his primary responsibility was to keep in contact with the Air Force military command by “Morse Code”, using a simple device, not unlike what telegraph operators had used since the middle of the 1800’s. I asked my Dad why he didn’t simply use radio contact and speak into it and use his voice. He replied that in 1941, voice communications were not very reliable, but his simple device worked very well over a long distance at low altitudes and in all weather. He could not endanger the rest of the aircrew by confusing the correct commands (the signal) with a lot of radio chatter (the noise). “Morse Code” was simple and accurate. Even to an 8 year old, that made sense. I clearly understood the difference between **the signal and the noise**.

Around the same time, I had a friend whose father was the sergeant in charge of the Melfort RCMP detachment. Mickey and I were curious kids, and so when he told me that there was a really special radio at the RCMP Headquarters, and that we could go and listen to it, I was all for it. I went to the RCMP office with Mickey, and his Dad let us listen to some of the communications. They were very clear and I knew that they only went from the RCMP Headquarters to the local detachment, because it all sounded very “hush hush”. After a short while, his Dad said: “Well, that’s all you can have boys. If you want to listen to a radio, go home to our house. There’s a big radio there that can get reception from all over the world.” So Mickey and I headed to his house to listen to the big radio. This was fascinating to me because this radio received signals all the way from Chicago in the United States.

We listened to music that we thought was so different but so interesting, until it was time for me to go home. We would go through the dial and would listen to the radio station, WLS Chicago, which was the rock ‘n roll station and was the most popular music of the time. Eventually around 9:00 pm it would begin to fade out, and then we could only hear radio noise. The signal was lost in the noise.

Turning to another example, Martin Schmidt, an astronomer, had been trying to identify a specific object that was theoretically possible, but never positively witnessed. It was called a “quasar”. Without trying to explain what a “quasar” is, let it be sufficient to say that in order to do so, he had to use radio astronomy to identify it by measuring the radiation it sent into space. To do that, Martin Schmidt had to separate all of the radio noise so he could isolate the specific radio signal that identified this phenomenon. The fact that he was able in the year 1963 to do so, meant that he became the person associated with the eventual discovery of what was formerly a theoretical object, the “quasar”. Once again, we see the difference of **separating the signal from the noise**.

I offer you these three examples from the history of communications to illustrate how easy it is to confuse the real signal you are trying to hear, against a background of what passes for nothing more than noise. Likewise, in the world of financial reporting, there are few signals, but lots of noise. Consider the following example. On that very August 24th morning that I referred to earlier, a friend of mine called me and we spoke briefly about the seemingly dramatic market moves, and of the approximately 1,000 point drop on the Dow Jones at the beginning of the day. He knew I was at that point in downtown Toronto, and he told me that he had just been watching a full television report given by a young reporter, I would guess around 21 – 23 years of age. The reporter was suggesting that this particular sudden market drop was just as bad as 2008. Then my friend asked me this question: “How old would the reporter have been seven years ago?” We both chuckled, and decided he would have been around 15 or 16 years old. How could anyone have understand about economic events at that age? This was obviously about television noise lacking any real message. It had no signal whatever.

I commend our clients for focusing their attention on the real signal. What really matters is to stick with a well-crafted financial plan, and the investment portfolio that will enable you to achieve your goals. While spending time listening to much of the media noise is at best a distraction, and at worst, it will ultimately distract you from your goal. **Let your financial plan remain the signal and ignore the noise.**

To see how some of your investment managers put this message to work, watch for our next issue of *Sound Advice* where we share with you just how they have taken advantage of the financial noise and concentrated on selecting the best investments for your portfolios.

THE BIG QUESTION:



“When are you retiring, Rod?”

One of the questions that I am often asked is:
“So Rod, when are you going to retire?”

My answer has remained the same:
“I am not planning to retire.”

This reply is often not a sufficient answer, and therefore in this article, I would like to clarify what I mean when I say I am not planning to retire.

To provide a little background, I originally set out to select a career based on my interests, and to communicate and be of service to clients. After owning and managing a truck rental, leasing and automotive business, and after exploring other career options, I knew that I wanted to provide a valuable service to people. I chose to become a financial advisor about 35 years ago because I had a vision to create a business with a complete service for building wealth, a service that would encompass a wide range of amenities, such as tax planning, retirement planning, RESPs, trust and estate services, insurance, wills, philanthropy and connections to other professionals for accounting and legal advice. I had that vision then, and I can say today that I have realized my life goal and passion. When you are pursuing any endeavour about which you are passionate, I can report to you that you do not need anyone to tell you to go to work. You are completely involved each and every day. If you are seeking confirmation that this is indeed true, I will gladly give you the names of many of my artist friends who continue to pursue their craft long past what used to be the mandatory retirement of 65. You probably know people like them, and it is more than likely that you may have to pull them away from their work. I guess that I fall in that category. Retirement, as it is conventionally described, is not in the cards for me. What I am planning, however, is a change of focus. Let me explain.

When I first became a financial advisor, I was responsible for virtually every aspect of client service. What did that mean? I answered the phone, filled out endless five-part carbon copy forms, entered my client's portfolio statement balances every morning, and ultimately I wore many hats. After a few years, I hired a receptionist and an administrative assistant, and over the years, technology made accessing client information easier. I am proud today that **The Tyler Group** has embraced as many of the technological capabilities as is practical to best serve our clients. We have an experienced and dedicated team of specialists. Mea Cicansky, CFP, has been working with our clients for 20 years, as well as training most of our team members. Lorraine Hope, Alannah Penny, Gene Irwin and Rianna Yuan have very specific contributions that they contribute to our overall client service. I have spoken to you before about the continuing education and training that each member of our team has embraced, and we are seeing the benefit every day.

I was joined two years ago by my colleague, Al Kimber, CFP, who has assumed the role of managing partner of **The Tyler Group**. Al has over 25 years of experience providing clients with a high level of financial planning, tax and investment advice. In a future and separate article, I will share with you the significance that their contributions make to the success of our business, and to the service that they provide to our clients. For now, however, my point is that this business and your success is a result of a team effort.

As for me, over the course of the next two years, I plan to spend some time out of the office. I am not planning to leave, nor am I retiring. I will continue to contribute by writing this newsletter. I will be attending numerous meetings with the investment managers of our client accounts. I will continue to work with our accounting and legal partners to assist our clients with their various financial planning needs. There are other ideas I intend to pursue, all of which will improve the quality of service for our clients. I will keep you informed about those exciting initiatives as we introduce them to you.

Here is what else I will be doing. I intend to expand on my writing, including a soon-to-be-released blog. I plan to continue to teach financial literacy to select employee groups, and continue to work with the Bridgehouse Panel for annual scholarship selections. I will be attending a number of financial industry conventions with the intention to advise **The Tyler Group** with continued success. And of course, I will continue to write articles for each issue of **Sound Advice**. Oh yes, and as I enter my seventh decade, my wife and I intend to travel more! I may share with you some of those experiences in my upcoming blog.

Until then, if you have a chance to attend our “**20th Annual Client Evening**” November 4th at the **Kramer Imax**, I promise that you will enjoy yourself. We all look forward to seeing you there!



Our Second Opinion Offer

I have a question:

Have you ever read one of the newspaper articles that describes a person's financial situation?



I'm speaking about the articles that appear as financial makeovers with comments and advice of expert financial advisors. Recently, working with the assistance of my colleagues Al Kimber and Gene Irwin, I have been preparing a number of financial make-overs for the *PostMedia* newspapers. Just for the record, you will see these published as Family Finance in the *Leader Post*, *Saskatoon Star Phoenix*, *National Post* and other *PostMedia* newspapers in the months to come.

Likewise, have you ever been asked by a friend or family member a question about investments or some financial decision they were wondering about? If the answer is yes, then you know it can be hard to give the right answer. What if you could recommend an expert opinion?

Here is our Second Opinion Offer

If you know someone, typically a friend or family member, who is seeking a professional opinion on his or her financial affairs, please ask him to call or email us. If we know that you have recommended them to our office for a Second Opinion, we will provide them this service at no cost and no obligation. If we determine that their existing choice of investment or advisor is serving them well, we will tell them so. If not, we will either help them ourselves if they wish, or recommend someone who can help them.

We can only offer this service to our existing clients, so please let us know if you expect someone to call us and we will honour our commitment to you of a free Second Opinion to your friend or family member.

We look forward to hearing from you!



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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.