

Sound Advice



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

The Future is Friendly 2.0 *A preview.*

The promise of the future often gets lost in the daily news. To offer you an alternate view of the wonderful changes that have already taken place, consider these thoughtful comments from a recent issue of the *New York Times*:

“In fact, 2017 was probably the very best year in the long history of humanity. Every day, the number of people around the world living in extreme poverty (about \$2 a day) goes down by 217,000, according to calculations by Max Roser, an Oxford University economist who runs a website called *Our World in Data*. Every day, 325,000 more people gain access to electricity. And 300,000 more gain access to clean water.

As recently as the 1960s, a majority of humans had always been illiterate and lived in extreme poverty. Now fewer than 15 percent are illiterate, and fewer than 10 percent live in extreme poverty. In another 15 years, illiteracy and extreme poverty will be mostly gone. After thousands of generations, they are pretty much disappearing on our watch.

Just since 1990, the lives of more than 100 million children have been saved by vaccinations, diarrhea treatment, breastfeeding promotion and other simple steps.”

- Nicholas Kristof, “Why 2017 was the Best Year in Human History,”
The New York Times, January 6

I look forward to sharing with you in the next issue of *Sound Advice* the possibilities and potential of the next few decades in *The Future is Friendly 2.0*.



What will happen in 2018?



Have you ever noticed at the beginning of every year there are lots of articles appearing in the media predicting what will happen in the coming year? Of course you have, and some other time I will share with you the dismal record of the many self-appointed gurus offering these same predictions.

For now, let's just say their records of prediction are terrible. Conversely, one of the best ways I have discovered to understand the changes in the world around us is to read history, especially economic history. I know that sounds boring, but it gives me a chance to offer my own predictions! So, for now here's my list of 7 things I am quite confident will happen in 2018.

7 things that will happen in 2018

1 **You will be significantly influenced by what happened last year.** Many of our clients enjoyed outstanding investment results in 2017. It's very easy to expect the same results in 2018. When something dramatic happens, such as a rapid increase in real estate prices or a sudden correction in the stock market, it easily influences our expectations for the future, and that is called the "recency effect." Many of our clients have participated in the recent market increases because they have owned diversified equity investment portfolios. By contrast, lots of other people have "missed out" on these same excellent returns while worrying about all sorts of possible "crises". In addition, I am also very confident that you will once again begin hearing from the media "experts" that you don't need a financial advisor or that you can save a lot of fees doing it yourself. That is what happens after a period of generally rising equity prices.

As your advisors, we will approach this year with a balance of optimism and caution, but also ready to take advantage of the inevitable temporary downturns or setbacks, to invest our client's money.



2 **Some event that no one predicted will happen in 2018.** It could be a political event, an economic event or something else. It could also be a combination of positive and negative developments. Once again, preparing for both negative and positive outcomes is the basis of good financial advice. You can expect us to recommend and encourage you to take advantage of any market correction by doing one of two things:

- Do nothing. Just let the current unexpected event pass, because it always will.
- Add some additional funds, if they are available.



6 Your best investment, if you are still accumulating wealth, will be to increase your savings rate and pay down any consumer debt. Nothing is more powerful than compounding wealth by these two methods. For more on these 2 fundamental ways to become systematically wealthy, watch for the next *Sound Advice* update.



7 Technology will continue to influence everything around you, even if you don't always realize its ever-present effect. For example, next time you are in a line-up at the bank or in a restaurant, look around to see how many people are talking to each other and how many are checking their cell phones. You get the idea, and that is just a sample of the effect technology is having on our lives, good and bad.

Again, for more on this trend, watch for the next issue of *Sound Advice* in which I will update a past article, *The Future is Friendly*. In this upcoming article, I will share with you how you can easily benefit from participating in the extraordinary technological progress that is currently underway. In the meantime, the best investment you can make is to begin preparing to adapt and to benefit from the long list of technological changes that will occur during the next few years of your lifetime. I will provide you with some examples of how you can do this yourself.

And those are my 7 Predictions for 2018. Please be sure to call, write or email me sometime later this year, holding me accountable to my list of predictions. I look forward to hearing from you!

3 When a market correction begins, you will start to believe that it will continue to fall further and further, until you lose a lot of money. This is your perfectly natural human emotion of fear trying to take control. Yes, I am confident this will happen. I am also confident that the media will report that the “stock market is crashing,” or some similar scary message that attracts everyone’s attention. That is how fear works, and the cure for this is noted in # 2 above.

4 You will miss out on some investment and wish you owned it, like when you hear that somebody else had the winning Lotto 649 ticket. Yes, you, I and everyone else will also miss out on that financial windfall. You may feel envious of the lucky person(s) who won. When that happens, you are experiencing another very human and predictable emotion - envy.

Our response to help you counteract that predictable human reaction will be to continue to recommend compounding your own investments through prudent investment allocation. That’s called diversification, and like the advertisement for Buckley’s Cough Syrup says, “It tastes awful, and it works.”

5 Someone else will play on your feelings of envy, and you may begin to suffer from FOMO, or Fear of Missing Out. They may be telling you about how much money they earned speculating in cryptocurrencies or some cannabis stock. Yes, it happens. Someone else will strike it rich in a real estate deal, trading Bitcoin or shares in a technology start-up.

Alternatively, some people may have genuinely benefited from buying a mispriced investment asset and holding that asset until it is fully valued. They may have been buying when everyone else was desperately selling, such as happened in 2008-09. That strategy works, and that’s how value managers, like Warren Buffett, have built fortunes.

We will help you benefit from this investment approach by utilizing investment funds that are based on these same value management principles.



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