Sound Advice

Where Were You When?

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

This is the question often posed on the 10th or 50th anniversary of some significant world event. Take for example "Where were you when you first heard about 911 and the twin towers?" Or "where were you when you heard about the tragic death of Princess Diana, or John Kennedy," or some other celebrity?

Remembering where we were is one of the ways we as humans, retain a sense of our history. So, it is with this in mind that I ask the following question: "Where were you 10 years ago this autumn when you heard about the financial crisis of 2008, when large iconic American financial institutions such as Lehman Brothers and AIG Insurance, or industrial behemoths such as GMC or Chrysler, either went bankrupt or were bailed out by government? Can you remember how you felt and what decisions you made in the emotional environment of that time? If you were alarmed and confused, then you assuredly had a lot of company. Many people felt just the same as you.

So why am I asking you these questions? If you watch the news over the next month or so I am confident you will be reminded in graphic detail of all the drama of these events. The reason I am discussing the 10th anniversary of the Financial Crisis is to share with you what my colleague Al Kimber and I were doing and what advice and actions we recommended to you, our clients.

Most important, however, is that both Al and I and everyone at The Tyler Group want to thank you for your confidence in our advice and financial counsel. We are very grateful and proud of you all!

Let's begin by noting what both Al and I DID NOT do:

- ✘ We **did not** predict the financial crisis, nor will be able to predict the next "crisis".
- ✘ We **did not** stop calling, writing and meeting our clients.
- ✘ We **did not** start moving our client's investments into so-called "safe" investments, such as bank savings accounts at 100-year low-interest rates. You will see why in a moment.
- ✘ We **did not** try to predict when the financial crisis would subside, only that it would, because it always does.
- ✘ We **did not** blame anybody- president Bush, or soon to be President Obama, or Prime minister Harper or Wall Street or Bay Street. None of those pronouncements would have been helpful.

It is important to note that the financial crisis of 2008 did not begin in the fall of 2008, nor did it end shortly afterward. It began early in 2008 and not until March 9th of 2009 did the share prices of countless great companies cease falling. For our clients, this extended period represented either an opportunity to make good decisions and prosper or succumb to panic. Al and I were determined to prevent the latter choice.

Here's what we DID do:

- ✔ We DID call our clients more, a lot more, asking them how they were feeling and listening to their concerns. We recommended avoiding any rash decisions. Any changes could wait until time passed, the panic subsided and we together with our clients could make smart choices about the future.

- ✔ We DID ask our clients if anything had changed in their long-term financial or retirement plans. We invited them to come to our offices for a review. Many accepted the invitation.

- ✔ We DID host our 13th Annual Client Evening at the Kramer Imax. On Nov 6th this year we hope to see you back again for the 23th consecutive year! In 2008 Al was also hosting his 12th annual event in Weyburn.

- ✔ We DID continue to write a quarterly comment to our clients. This issue represents the 10th anniversary of ***Sound Advice***.

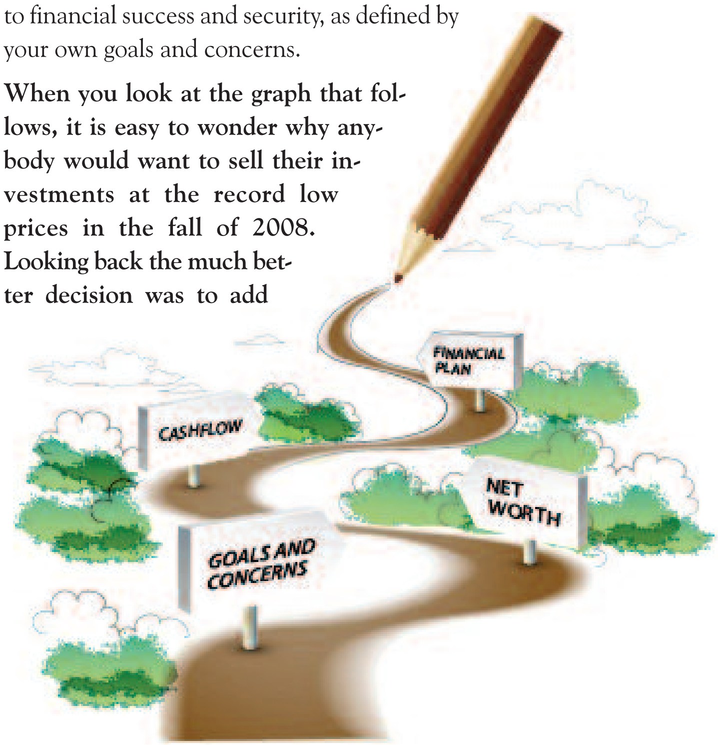
- ✔ We DID ask clients if they had extra funds to invest. If they did, we added them to their accounts at incredibly low prices. Our clients continue to benefit from their wise choices and commitment to a long-term investment strategy.

- ✔ We DID encourage clients to start a TFSA. January of 2009 represented the first opportunity for Canadians to invest in the newly introduced Tax Free Investment Account (TFSA). Instead of placing these monies into low-interest savings accounts offered at the bank, we encouraged our clients to take advantage of the financial crisis to invest their TFSA contribution into diversified portfolios of equity investments, thereby transforming them from lenders to owners. Translation: Be an owner not a loaner and buy low!

- ✔ We DID review client's insurance portfolios to make sure they had adequate coverages. We still recommend to our clients that they bring in all their insurance information and get a second opinion and review.

I could continue this list, but you get the idea. Ten years later in 2018, we continue to follow this same financial planning process. As you are keenly aware, as life unfolds and things change, it is important to have a continuous financial review process. We call that process your **Financial Planning Roadmap**. In subsequent issues of ***Sound Advice***, I will introduce many more opportunities for you to take advantage of this service and how it can provide you with a clear path to financial success and security, as defined by your own goals and concerns.

When you look at the graph that follows, it is easy to wonder why anybody would want to sell their investments at the record low prices in the fall of 2008. Looking back the much better decision was to add money to your accounts, or just continue holding the investments you already owned. Overwhelmingly, that is what you did. We thank you for loyalty to our advice and for your superior emotional maturity. It has served you well.



Next, we will share with you how our chosen investment managers took advantage of the 2018 financial crisis and how this benefited clients.

Thinking Like an Owner

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The graph on the next page shows the historical price movement of the U.S., Canadian and world stock market indexes from Jan 2008 until 2018. I am showing this graph as a simple way to portray how the share price of a portfolio of US, Canadian and International companies would have performed over the past ten years.

If a picture is worth a 1000 words, then perhaps I should stop writing. However, perhaps you can humor me for a few more minutes as I describe how our chosen investment managers navigate through an ever-changing investment environment and how it benefits our clients.

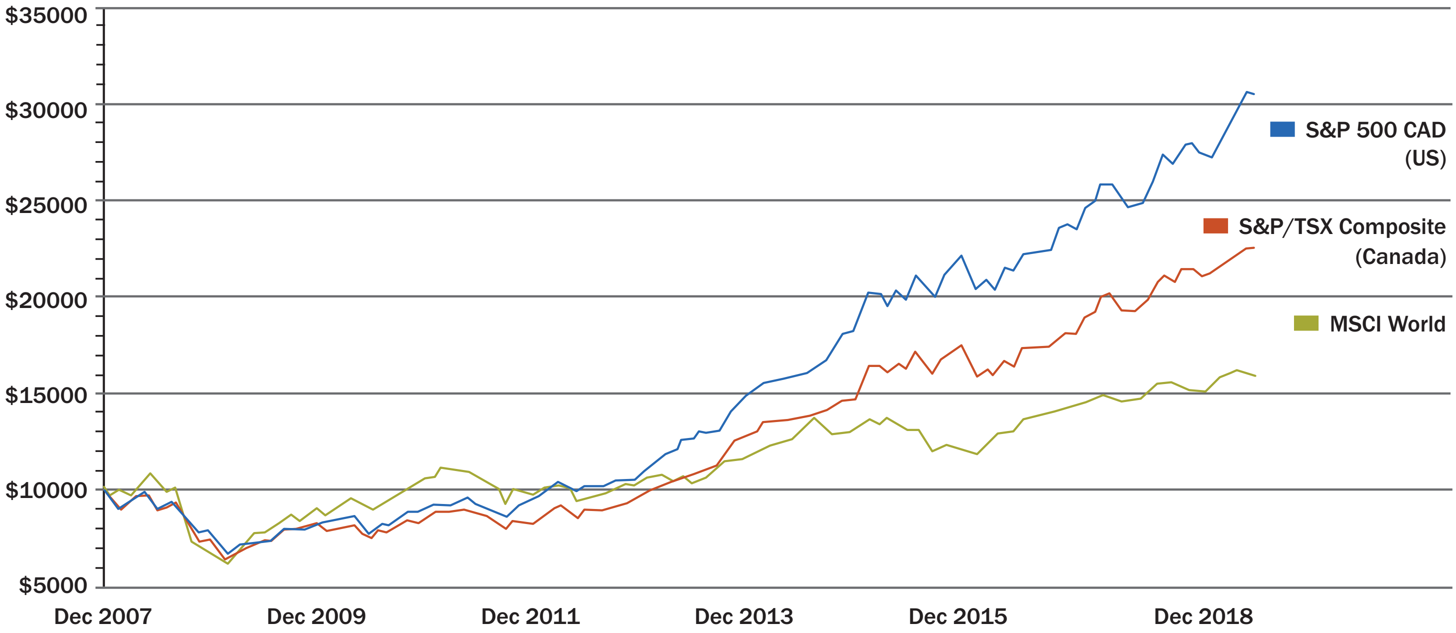
Although hindsight is always perfect, the future is never clear. Instead, investment managers we prefer to recommend to our clients, managers in charge of millions of dollars, if not billions of client investment dollars, must make decisions based on probabilities and a sense of history. The best way I can describe this preferred investment approach is to describe how a businessman behaves when viewing any business.

He or she usually has knowledge and experience in a specific type of business. For example, operating an automotive dealership, or a construction business or a furniture store. Each one of these businesses has unique qualities. Each one has a certain peak period of sales and profit margins. Each one needs uniquely trained employees and continuous changes in products and services sold. As you can appreciate, there is a long list of considerations that affect business profitability, and that ultimately determines what a business is worth.

The bottom line is that any successful, experienced business person can very quickly decide at what price he or she would sell a business and at what price he or she would buy another similar business. In effect, you might say they possess an insider's knowledge about what to pay for a similar business. They are business persons buying, or selling, businesses. They are unlikely to sell a business for a temporary and artificially low price, but they would certainly consider buying one at that same low price. Likewise, if someone were to offer them an artificially high price for their own business, they might consider selling it. If you keep this idea of a business person buying or selling a business as a model of rational human behavior, then you will understand why we choose a very specific group of investment managers with whom to entrust our client's savings and investments.

For years I have written about that living legend of wise investing – Warren Buffett and his investment company - **Berkshire Hathaway.** It is no mystery that Al and I have great respect for Buffett's investment approach, so it will come as no surprise that the managers we choose and to whom we entrust our client's investments follow many of Buffett's value investment approaches to choosing securities. Of

Canada, US and the World Markets 10 years after 2008



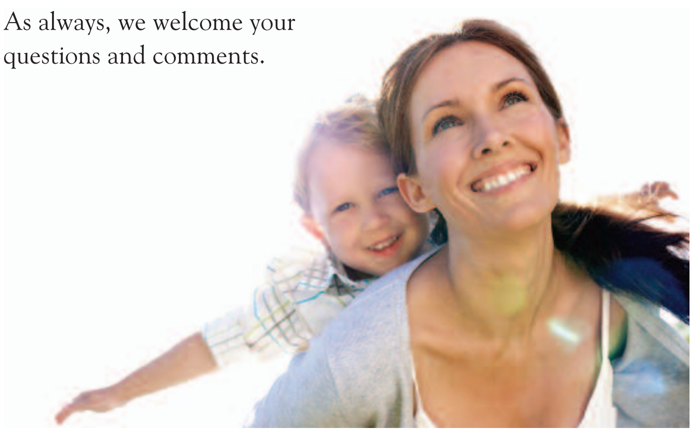
course, each has developed their individually unique version of value investing, and many of our chosen investment managers have a specialized ability of understanding technology, foreign investments, or income securities. Nevertheless, they all share that same idea of a business person buying a business.

For a quick idea of how in the past Buffett has put this principle to work, consider reading the article about how in 1983 he bought America's largest home furniture store, **Nebraska Furniture Mart**, from Rose Blumpkin.

So returning to the graph above, it becomes obvious in hindsight that if you wanted to buy great businesses at bargain prices sometime in the last ten years, 2008 provided a magnificent opportunity. If you could think like a business person, like Warren Buffett, you were able to buy at big discounts while the rest of the world was worried about the financial collapse. Putting that into context, Buffett bought all of the remaining shares of a whole railroad, Burlington Northern, for $44 billion in 2008.

Taking advantage of that opportunity is exactly what our preferred managers were doing on your behalf. That is why we encouraged you to either continue holding your investments or asked you to add to them. **Thanks for staying the course, and thinking like owners, not loaners.**

As always, we welcome your questions and comments.



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