Sound Advice

10 Years After

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

In mid-March, I awoke in the early hours of the morning, always my favorite time of day. It is usually quiet, and it is within this silence that I give myself time to fully wake up and take time to reflect on the day ahead. As I checked my calendar a remarkable thought crossed my mind. It was 10 years ago when the "market crash" of 2008-2009 came to an end. It was 10 years ago, after more than a year of continuously bad news, that the prices of great companies stopped falling and began to rise again. Despite the negative news and predictions, share prices have continued to rise in the last decade, with some temporary pauses from time to time, as happened in 2018.

When I discussed this with my colleague, Al Kimber, we began to recount our experiences of the period between 2008 to 2009. It required a lot of long days calling our clients, scheduling meetings to assure them they should not give in to their fears, that they should not sell their investments, and instead to wait for better days ahead.

Back then, Al and I talked regularly, and like two marathon running buddies, we cheered each other on and reminded ourselves that this was the time that our clients wanted and needed to hear from us. We continued to carry on as usual, and we held our Annual Client Evenings in November of 2008. We assured our clients that no matter what the "experts" were predicting, it was always better to wait until the emotions of the moment subsided. The fact of the matter was that we both saw this time as one of opportunity. I wrote to my clients about past financial crises and how our preferred investment managers took advantage of these occurrences to buy great companies at steeply discounted prices.

That was the first year I began writing this newsletter, *Sound Advice*. Here is the link:

http://thetylergroup.ca/wp-content/uploads/2013/04/SoundAdvice-January2009.pdf

Al also reminded me of the exact words he used when speaking at the client evening back in the fall of 2008: **I know that this doesn't at all feel like an opportunity, but it is, and it is very likely to be the best opportunity of our investing lifetime for most of us in the room tonight. For those of you who can find a way to add to your portfolios, I urge you to do so, and for those of you who aren't in a position to do so, just hold your positions as is. Investing is like that – when it feels like it is the worst time to invest or be invested, then it is likely to be the best time to invest or stay invested.**

I could continue with the "Al and Rod Sermon," but I think you get the idea. It paid handsomely to embrace the investment opportunity of 2008/2009.

Although it was hard work, we are celebrating with our clients the rewards of staying the course and following the financial plan that we had created for them. Yes, it sure feels better today then it did 10 years ago.

Then an amusing thought occurred to me. What if we had simply gone to sleep for 10 years back in 2009, like Rip Van Winkle, or survived a plane crash like Tom Hanks in the movie Castaway, to return to the world a decade later in the year 2019. Would we recognize things as being the same as they were when we checked out in 2009? Would we believe what had taken place during the years we missed?

Let's consider some of the changes that have occurred in the last decade. Here is a sample:

The value of the 500 largest companies in America, many of which were facing huge challenges back then, has increased by 271%*. If you include dividends that the companies have paid out for the last 10 years, that gain becomes 353%*.

In 2008, the iPhone was only one year old, and Apple had sold 17.4 million of those revolutionary devices. Blackberry was the most sought-after cell phone, with U.S. President Barack Obama as its most famous user. Today, Blackberry is a small cyber-security company. Almost no one uses their phones anymore, and Apple has now sold 1.3 billion iPhones. Apple's share price is up from just under $15USD to approximately $190USD.*

Oil prices, which peaked back in July 2008 at $147 had dropped down to $32 a barrel*, and they're about $60 a barrel today.

What if I told you in March of 2008, that in 10 years every major city in the western world would offer you a chance to go on your cell phone, request a car to pick you up, and within minutes it would be at your doorstep, ready to take you wherever you want to go. The cost of this service would be less than a taxi. Oh, and it's called Uber or Lyft.

What if I told you that newspapers would seldom be purchased anymore because you can get most of the news for free. From where you may ask? The answer: "from your iPhone, your iPad, or your computer terminal," to which you would most certainly ask: "What is an iPad?" Right. I forgot to mention that iPads weren't available until 2010.

And how about this? What if I told you that you would spend at least part of every day on your cellphone reading text messages and Facebook posts. Of course, you would ask me: "What's Facebook and why would I use text messages?"

Remember, when you fell asleep like Rip Van Winkle or were stranded on an island 10 years ago, what you understood from financial experts back then was that our country was facing terrible times and they were predicting that economic troubles would cause a massive depression. To check those headlines from 10 years ago, you would have to look it up. Where would you go to read about all the history of the last 10 years? The answer is you could now check Google News, or some similar source on your iPhone, iPad or laptop computer.

And most certainly you would want to check your investment statements that had been piling up for the last 10 years. You would naturally look at the most recent statement only to discover that your well-diversified RRSP had achieved a remarkable turnaround and was now worth so much more than when you checked out in March of 2009. Unfortunately, in those 10 lost years, you would have missed the opportunity to regularly invest in the newly introduced Tax -Free Savings Account (TFSA), but at least now your trusted financial advisor could help you make up for lost time, and you could invest the whole $63,500 contribution. But no one could make up for all the gains that would have been part of your reward for believing and investing in a well-diversified TFSA portfolio for the last 10 years.

So, here's my point. If believing in the remarkable investing result of the last 10 years seems improbable, just imagine what the next 10 years may bring. How would it feel to wake up in 2029 to find out that the pace of technological progress had accelerated once again, and you missed all of it? **Who wants to become a modern-day Rip Van Winkle or be shipwrecked on an island?**

I encourage each of you to call or meet with us so we can continue to provide you with advice and a clear plan to ensure your financial future. We look forward to hearing from you.

* *Source: Yahoo Finance*

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