CIBC PRIVATE WEALTH MANAGEMENT

CIBC WOOD GUNDY
THE KRATZ FINANCIAL GROUP

Luke Kratz, CIM, FMA, Portfolio Manager, Vice-President
250 361-2288 | luke.kratz@cibc.ca

FIFTEEN TIMELESS TIPS FOR INVESTING

"Many receive advice, only the wise profit from it."
- Harper Lee

These fifteen tips for investing make up the core of our client investment philosophy.

1. **Start buying green bananas.** Canadians are living longer than ever. A 65-year-old couple has a joint life expectancy of 27 years. Twenty-seven years ago it was 1988 and prices have now tripled from what they were then. What's your plan to triple your income in retirement? The great risk in modern retirement is not losing one's money, it is outliving it.

2. **The best person to advocate for the older person you will one day be is the younger person you are today.** Modern retirements are long, and long-term planning is the only rational solution for making sure that you will keep the promises that you have made to yourself and others you care about. Find out where you stand: Will your money last? How much can you spend? Make sure you're on track.

3. **Nothing lasts forever – change is dramatic and drastic.** Fifteen years ago it was 2000 and Nortel was the biggest company in Canada (by market cap), Enron was listed on Fortune magazine's list of the world's most-admired companies, Apple was struggling and had just convinced Steve Jobs to come back to run it, the Greek economy was booming, The US Congressional Budget Office had predicted the US federal government debt would be retired by 2009. Fifteen years from now the business world will look absolutely nothing like it does today. Stay diversified and don't get stuck in yesterday's reality.

4. **There is no such thing as a *good* market and a *bad* market.** There is only ***the*** market. Markets are constantly absurd, plunging or soaring at rates that are never sustainable. When markets are volatile, many investors have a tendency to want to "wait until things to get back to normal," but the market is always "normal" to "wait until things get back to normal" usually means to wait until prices are higher. When markets are low, risk is low.

5. **Your time in retirement is best spent managing your assets.** Money is **NOT** an asset, it is a tool. Your true assets are your health and your time. Spend the maximum time enjoying life and the people you care about. No one thinks about the time they spent with their money when they are on their deathbed.

6. **Try to check your portfolio value about as many times per year as you check your blood pressure.** Constant updates of your portfolios dollar value makes investing harder and more emotional than it need be. Check your portfolio value as infrequently as necessary to prevent you from becoming emotional about market moves.

7. **"I don't know" are three of the most underused words in the world of finance.** The future is unknown. There are no guarantees that the sun is coming up tomorrow or that any of us will be here to see it if it does. You don't know what the market will do next month. You don't know when interest rates will rise. You don't know how low oil prices or the loonie will go. This should not bother you because nobody else knows these things either. Listening to anyone who claims to know the unknowable will cost you a lot of money.

8. **A future that is unsinkable unless it hits an iceberg is not unsinkable.** Find out what the financial implications of sickness and death are for the people you love. Will you always preserve your independence and your dignity or will you at some point be dependent on others? Get the facts and face the facts.

CIBC WOOD GUNDY
THE KRATZ FINANCIAL GROUP

Luke Kratz, CIM, FMA, Portfolio Manager, Vice-President
250 361-2288 | luke.kratz@cibc.ca

9. **Short-term thinking is at the root of most investing problems.** Take a look at everything that comes over your desktop as it pertains to markets. I am pretty confident that nearly all of it is a commentary on what is expected to happen in 12 months or less. In the short term, markets are unknowable. In the long run, they are inevitable. Since the end of the Second World War, there have been 13 bear markets that have on average taken the market down by 1/3. No one has ever consistently seen these bear markets coming nor has been able to predict when they would end. Meanwhile, completely ignored is the cold-hard fact that when the first postwar bear began on 29 May, 1946, the market was at 19.5. There have been 13 "ends-of-the-world" since then and as I write this on the first day of 2015, the market is at 2078.5 Stocks are up 107 times in these seven decades because earnings are up 107 times. The market rewards investors who have faith, patience and discipline, and punishes those who think that they are smarter than the market…

10. **Markets do not create losses, people do.** Look at the value of the market on the day you were born and what it is today. In the past 65 years, an investor in Canadian equities would have achieved an average annual rate of return of over 10% per year. How is it possible to lose money in an investment like this? Easy. When you are emotional you panic and sell. No panic, no sell. No sell, no lose. The enemy of investment success is not ignorance, it is fear.

11. **You don't get extra points for difficulty.** Success has less to do with complex math skills—or your relationships with in-the-know investors—and more to do with your ability to resist the emotional urge to buy high and sell low. Rational valuation and diversification are principals that are time-tested, timeless and above-all simple. The more sophisticated or complicated an investment strategy is, the less likely it will be to prevail. For many, a patient, disciplined strategy of analysis and diversification is boring, but the purpose of investing isn't to reduce boredom; it's to maintain and increase wealth. Owners of boring portfolios lead exciting lives and owners of exciting portfolios lead boring lives.

12. **A couple of times per decade, investors forget that bear markets happen a couple of times per decade.** Like the autumn harvest follows summer and spring rains thaw the ground after winter, bear markets are a perfectly normal, essential part of the cycle. Get used to it.

13. **Most people still don't know the difference between speculating and investing.** Speculating is about trying to capture price movements. Investing is about calculating precisely what a quality business is worth, trying to pay less for it and then holding it. As Warren Buffett said: "Price is what you pay, value is what you get." Sound advice is about goals, strategy and time. Poor advice is about markets, speculation and timing.

14. **You know you are diversified when some of your investments are performing worse than others.** When a part of your portfolio is down, some people get worried, so they gravitate toward what is performing well at the moment, often at their own expense.

15. **Watch out for Bipolar Bears.** When we look back on past bear markets we see opportunities, but when we look toward future bear markets, we only see risk. If this seems silly to you, you are on your way to becoming a better long-term investor. When the last bear market bottomed out in 2009, Bank of Montreal common shares were $24.05. BMO's dividend was $2.80 per share which was a yield of 12% on that share price. If you bought BMO at $24.05, you got paid 12% per year in dividends to watch your investment value triple over the last 5 years. Rather than ruminate about this missed opportunity, get yourself psyched for the next one. When the broad market declines, the prices of the highest quality companies decline as well. True quality goes on sale but only for so long. In a market downturn a rational investor has two choices: One is to simply ignore it; the other is to actively enjoy it.

CIBC WOOD GUNDY
THE KRATZ FINANCIAL GROUP

Luke Kratz, CIM, FMA, Portfolio Manager, Vice-President
250 361-2288 | luke.kratz@cibc.ca

About Luke Kratz:

Luke has a process that he has refined over the past 27 years to help people maintain their lifestyle and independence in retirement – allowing them to enjoy the peace of mind that comes with increased confidence.