



# The Lion's Roar

Spring 2000

❖ Quarterly Bulletin for Clients of Networth Asset Management Inc. Calgary, Alberta Canada ❖



by Victor Didkowsky

## Life After...

**W**ell, here it is April and the Y2K paranoia and the year 2000 celebrations are all over. If the truth be known, we are nine months away from the real turning of the history pages, so does that mean there is another trillion dollar opportunity just around the corner? Enough of that, let's get onto more exciting events... two major changes are going on with us.

First and foremost, on March 11, 2000, we moved into our new offices; a bungalow converted into offices in Crescent Heights just off Edmonton Trail and 11th Avenue. The address is **330 - 11th Avenue North East**. Our phone and fax numbers remain the same. It will be a little while yet until the office is completely finished, but when it is, watch for your personalized open house invitation. I guess the bottom line is, we now have some

bricks and mortar to lend some additional strength to who we are and what we do.

Second, but as important, Paul Gregory of Intervera Ltd. will be guiding us into the virtual world of the Internet by developing/project managing and launching not only our initial web site, but leading us to our final destination - a fully integrated one-to-one virtual presence on the Internet. Our new web address is:

**[www.networthassetmgt.com](http://www.networthassetmgt.com)**

Our new email address is:

**[info@networthassetmgt.com](mailto:info@networthassetmgt.com)**

With hard work and some luck, we should be live by summer!

If you have not given us your email address, please do so right away so that you can start receiving "The Lion's Roar", your portfolio, and other interesting briefings this way instead of via snail mail.

## Thumbs Up To No Longer Needing To Work

A Trimark/Enviroics survey has found that Canadians are happy in retirement and feel in control of their lives. Findings include:

- 55% of respondents experienced a decrease in stress after retiring
- 43% found retirement more intellectually stimulating
- 54% of retirees said that being retired and spending more time with their spouses has had a positive effect on their relationships
- 47% of those polled say leisure activities such as reading, hobbies or sports take up the largest share of retirees' time
- 31% cited social interaction as the main reason for continuing to do some paid work
- 45% of respondents became more physically active after retiring
- 59% found transition from full-time work to retirement not at all difficult
- 31% found a decrease in family conflict after retiring
- 72% feel that "retired people are shown respect"

Generally, respondents expressed a strong feeling of satisfaction with their overall financial and emotional well-being, and are finding new ways to enjoy life.



## What certainty is there in life? A reflection on planning.

*As featured in the Calgary Herald March 2000 Planned Giving Supplement.*

For any of us who have been around for a few years, the list is pretty short...death, taxes, and of course change, that's about it.

However, each one of us has several choices and decisions as to how we want to prepare for that eventuality. My own philosophy in life is to be cash rich and insurance poor, but if I live long enough to spend everything, what is my family, church, and favorite charity going to inherit?

The possibility of outliving my money is also not a reality that I want to face. And working at the local fast food establishment at 80 to supplement my income is therefore not something I would look forward to. My least favorite option is naming my friends in Ottawa as my beneficiaries; losing upwards of 50% of my estate to them sends shivers down my spine.

It would probably be best to die healthy on the same day that I spent my last nickel. Just one problem with that; it is hard to time!

### So, what am I to do?

I could choose to procrastinate and pretend it won't happen. I might even believe that if my last name starts with a 'Z', and we all know that the obituaries seldom publish death announcements

with surnames starting with a 'Z', I might be safe from reality. My second choice could be to seek professional help from a qualified financial planner, accountant and lawyer. There are alternatives and solutions to deal with my concerns, but I shouldn't wing it myself unless I have the knowledge, time and resources to stay on top of it. My advisors could recommend that I insure my estate's tax liability so that my beneficiaries will benefit, not Revenue Canada.

### Let us take this simple example:

Registered Estate Worth	\$ 750,000
Tax Liability	\$ 300,000
Residual Estate Worth	\$ 450,000

### Loss in Estate Value of \$ 300,000



These taxes will have to be paid. No getting around that, but it's my choice on whose dollars I want to use and what they will actually cost.

These are the alternatives that are available.

**First** - My beneficiaries could borrow the funds to pay the tax liability and repay it with interest (100 cent dollars for the principal plus 200 cent dollars for the interest cost). This I call the 300% + cost solution.

**Second** - My beneficiaries could sell enough assets from the estate to raise the money to pay the tax liability. Have you ever been to an auction? You don't sell your goods for 100% of market value, maybe 25-50%. This I call the 200 - 400% + cost solution.

**Third** - I could take out insurance to cover the tax liability and maybe my beneficiaries would even pay for it. The death benefit would be paid in tax-free dollars and they would end up with my entire estate taxes paid and debt-free. There are lots of different kinds of insurance with various funding options, so get a professional to help you choose what's best. This I call the 25% cost solution.

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## Dinner Draw Winners

Don't forget, every time that you introduce us to someone who becomes a client, your name is entered for a dinner draw. We have the pleasure of awarding this symbol of our appreciation every quarter.



### *Congratulations!!*

This period's dinner draw winners are David and Cecilia Grimstead who introduced us to Jack and Lindy Vincent.

The choice is up to me. Either way, Ottawa will get their share; the only unknown is will anyone else and what will it cost to preserve my estate?

Leaving money for my loved ones, church, and favorite charity is all fine and good, but first let's make sure that I have enough to last as long as I do.

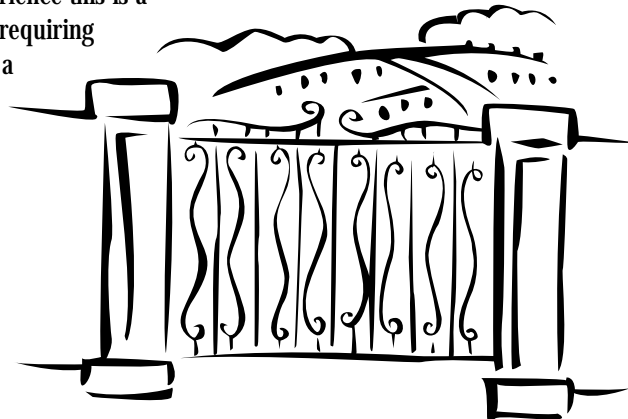
An equity portfolio provides the greatest return over the long-term, but there is risk associated with it. At a much later stage in life, that's not ideal. So how about an annuity? The highest paying annuity is one that is based on my life alone, with no continuation of payments after death, even if that's the day I take it out. In other words, as long as I live I am contractually guaranteed to receive a predetermined level of income, but the day I am gone, it stops. So what happens to my dependents' income? It's gone too. There is a way for me to gain a safe, high paying income stream and have the principal contractually replaced upon my death so that my dependents will be able to preserve their dignity and quality of life. Through my experience this is a complex strategy requiring consultation with a qualified specialist.

## Have you ever reflected on how you would like to be remembered? I have.

The spirit of what my life stood for can live for eternity, even if I don't, especially since I have incorporated that desire into my planning process.

Charitable giving should first of all be done from the heart, but as a side benefit it is also a very effective way to redirect dollars to organizations that have touched your life, rather than sending the money to Ottawa. This allows you to benefit mankind in perpetuity, with the opportunity of always being remembered as the benefactor.

So there are choices, many of them, and they should be designed to meet your specific needs. With the assistance of a well-trained professional you can not only have your cake, but you can eat it too.



## News & Views

### Budget 2000 Highlighted

On the surface, it's a positive sounding budget with these and other features being dangled in front of us, but let us not forget this is a pre-election budget!

- Foreign content percentage in RRSP to increase to 25% this year and 30% next year
- Taxation on stock options in public corporations postponed till disposition, with lots of rules around that
- Capital gains inclusion rate drops from 75% to 66%
- Personal and corporate after-tax income will rise...
- Improvements in the tax treatment of charitable gifts

Most of the carrots will not be ready to harvest until sometime within the next five years (no specific commitments). That's assuming everything goes well and we do not have any fluctuations within our economic climate. Not meaning to sound pessimistic, but "Good Luck!"

The reason for my cynicism is simple. Has the government actually been spending less, or is it that the low interest rate has made the servicing of our national debt more manageable? Currently the national debt is being reduced by less than 2% per year. So in 50 years, all things being equal, we will be a debt-free country. How will your great, great-grandchildren feel about that? This to me is simply unacceptable!



## Put Your Money Down and Throw the Dice

**W**hat would you think of a company, or companies, that saw losses continue to mount, but at the same time experienced a 152% increase in stock prices? Or, on the other hand, a company, or companies, that realized real profit gains but its stock only went up two percent. Well this is exactly what we saw last year in the technology sector versus value sector. It was a great ride if you were in the technology bubble, but one has to wonder about the survivability and predictability of these high technology miracles.

The last major revolution we experienced was that of the Industrial Revolution which saw 2,000 car manufacturers set up shop in the U.S.A. Today there are three left, or maybe just two, depending on who owns whom at Chrysler-Mercedes, and the returns they have brought to their stockholders have been anything but stellar. Cars, just like technology, e-commerce and the Internet, are not going away. But the strong will devour the weak and that will create fantastic opportunities for some and huge losses for others.

So how many winners are there usually in a race? Last year the companies that make up the NASDAQ 100 made US\$33 billion profit, but of them, nine companies made 80% of these profits and two - Microsoft and Intel - made up 46% of that total. How about this for insanity; at the end of 1999, the Dow Jones Internet Index was trading in excess of 57 times its last 12 month sales, that's right, sales not profits!

### To quote Warren Buffett:

*"The key to investing is not assessing how much an industry is going to affect society, or how much it will grow, but rather determining the competitive advantage of any given company and above all, the durability of that advantage."*

In closing, a little of this technology crack cocaine is okay, but don't bet your house, retirement and future on it, and if you do, then all you need to be is smart enough to pick the winners. Good luck!



## Thank You!

We would like to extend a special thanks to all of you who have shown your confidence in us by introducing us to your friends and family. Your referrals and trust in our abilities means a lot to us.

## Are You Feeling Smarter?

This goes a long way to explaining things:

A herd of buffalo can only move as fast as the slowest buffalo. And when the herd is hunted, it is the slowest and weakest ones at the back that are killed first. This natural selection is good for the herd as a whole, because the general speed and health of the whole group keeps improving by the regular killing of the weakest members. In much the same way, the human brain can only operate as fast as the slowest brain cells. Excessive intake of alcohol, we all know, kills brain cells, but naturally, it attacks the slowest and weakest brain cells first. In this way, regular consumption of beer eliminates the weaker brain cells, making a brain a faster and more efficient machine. And that's why you always feel smarter after a few beers.

