



# The Lion's Roar

Spring 2001

❖ Quarterly Bulletin for the Clients and Friends of Networth Asset Management Inc. Canada ❖

## 95% Probability of Success

by Victor Didkowsky, CFP

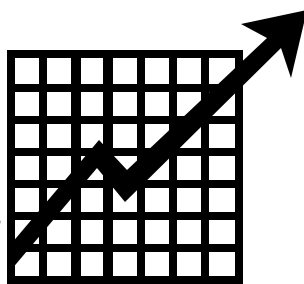
Over the last several months (almost a year), we have experienced volatility in the markets as never before. But as with any situation, there are always positives. So let's first start by defining the word 'volatility'. I define it as short term fluctuations that a professionally managed and balanced quality portfolio experiences. The greater the potential for return the more significant the swings in the short term. Risk, on the other hand, is what happens with money that you may never see again. It's like gambling and should not be counted on for your future.

Research conducted by Highstreet, a financial data gathering firm, shows that from the mid-1980's to 1998, the Standard and Poor's 500 Index experienced a fluctuation of 2% up or down on only 3% of all trading days. In the past two years, the number of days has gone up by 20% and larger moves which had usually occurred seven or eight days a year, now happen at a rate of more than one a week. This is what I refer to as the roller-coaster ride.

In order to achieve your financial dreams, you need to make a decision on "how much volatility you need to accept?" The world we live in is changing very rapidly, in all facets. One of them is volatility. I personally don't like it, but the reality is that I had better get used to it, that is if I want to obtain superior

long-term returns! I look at it as the price of admission to success. **My choice is simple, either I can sleep well now or eat well later.** But seldom, if ever, will I be able to do both!

Tell me, would you plant a tree this spring in a great spot on your property, and then go and dig it up next spring to take a look at how the roots are doing? Maybe even move it to another location thinking that possibly it might grow better there. If you know anything about gardening, the answer to that is a resounding 'No'! Well then why would you even consider doing the same thing with your long-term wealth creation strategy? In times of market volatility, especially if you bought within the last few years, your portfolio may not be achieving the long-term results you had hoped for. But never judge on short-term results based



on a long-term strategy. Let's not forget that a sprinter does not run the same race as a distance runner and vice versa; neither should they or would you expect them to.

Now let's take a look at some historic numbers. Over the period since 1970, the TSE has enjoyed a 2,610% total return or a respectable 11.2% annual rate of return. The interesting point to note, is that this gain was made in 47 of the total 360 months or in 13% of the time, the remaining 313 months (87%) of the time, capital gains and losses summed up to zero. If you had been sitting out of the market just 1.2% of the time between 1963 to 1993, you would have missed 95% of the market gains, 40% of the time investors had shown negative results. No wonder it's so painful

*(Continued on page 2)*

## From Shelley's Desk...



With the deadline for filing our taxes just around the corner, I thought it would be an opportune time to pass along some tax tips to aid you if you file your own income tax.

Know how to do it in six easy steps there are several key figures on the tax return that will affect the amount of tax you pay and whether you qualify for refundable tax credits.

- Step 1 Identification and GST Credit Application
- Step 2 Total Income Calculation (up to Line 150)
- Step 3 Net Income Calculation (up to Line 236)
- Step 4 Taxable Income Calculation (found at Line 260)
- Step 5 Non-Refundable Tax Credits (up to Line 350)
- Step 6 Refund or Balance Owning (either Line 484 or Line 485)

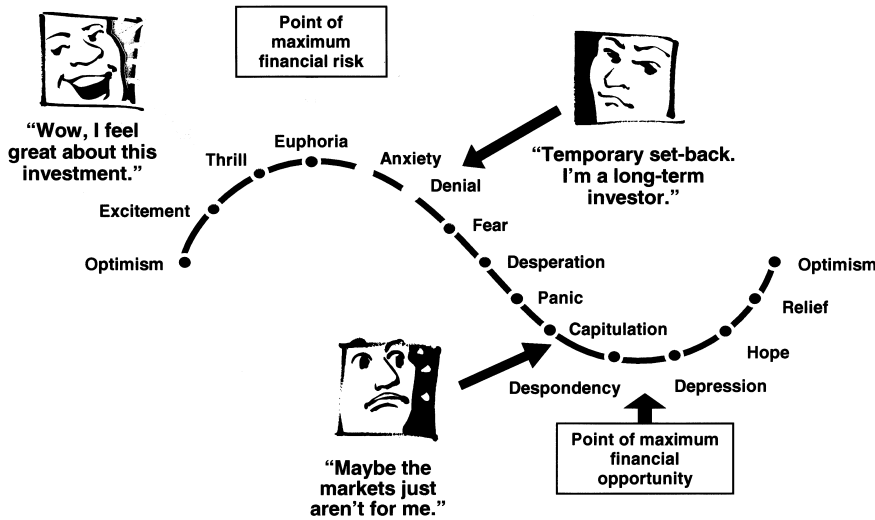
Make sure you have claimed all of your available deductions. Did you know you could claim such things as union/professional dues (plus claim a GST rebate for any GST charged on the dues?), carrying charges such as safety deposit boxes, and interest on money borrowed to purchase non-registered investments, accounting/record keeping fees, and insurance policy loan interest? These are just a few, and if you've missed out on claiming them in the past several years, you can file an adjustment to prior-filed returns.

For more information, you can also go to the Canada Customs and Revenue Agency web site at:

<http://www.ccr-a-adrc.gc.ca>



## The Cycle of Market Emotions



Source: Westcore Funds / Denver Investment Advisers LLC, 1998

(Continued from page 1)

to watch the market every day...so maybe we should all get a life AND NOT WATCH IT INCESSANTLY!

### Some Facts...

- There has never been a ten-year period in North America where a managed portfolio lost principal.
- A bear market (a decline of 15% or more) has happened on the TSE 300 ten times over the last forty years and has an average duration of eight months.
- The 1998 correction only lasted half as long, but was the third most severe decline, only outdone by the 1973-1974 and 1981-1982 corrections.
- The NASDAQ has historically experienced corrections ranging from 20% to 60%, but this time around, we're watching it fall in half the usual time of one year. Average gains following a bear market on the NASDAQ have been between 165% and 519% with the smallest being 50% in 1978. After the 1973-1974 bear market was over, it jumped up 141% and kept going upwards for 45 months.

- Bear markets have come during various economic periods, low interest rates, high economic growth and relatively stagnant growth periods (no rhyme or reason).

It is important to remember that we have had volatility and bear markets in the past, and will have them again in the future. They are perfectly normal and good occurrences as long as you remember that your long-term gains are permanent (although they will fluctuate) while your losses are temporary.

You have heard me constantly talk about portfolio balance and diversification. One of the components of that is investment style. Two basic styles are growth and value, each assessing the suitability of various investment holdings very differently. What's important to note is that each style is cyclical, in other words, they will cycle in and out of fashion on a regular basis. After long periods of out performance by growth investing, value investing comes to the forefront as it has over the last six months. When constructing your portfolios and monitoring them, I combine styles in order

to reduce volatility and turn the peaks and valleys into a rolling hillside.

In order to ensure your long-term financial peace of mind, as well as financial success for not only yourself, but for your family and subsequent generations, we need to be very clear on the following. "I will guarantee you in writing that we will participate in every day that the markets go up as long as you will promise to stay fully invested every day that the market should go down." By doing this, and holding a portfolio of high quality, equity investments, we will create the only real wealth available and make sure that not only you can't outlive it, but that those who you love, won't be able to as well. In any twenty-year period, including the Great Depression, equities are the least risky assets, even compared to cash. Cash is actually the riskiest asset over the long-term.

Have an ally (preferably me) in your corner, a clear plan on what you need and how you're going to get there. Then turn off the Chicken Little, fear mongering, propaganda trotting individuals and concentrate on doing what you do best. **Remember, 95% of your long-term financial success is determined by your short-term emotional behaviour.**

**Congratulations!**

This period's dinner draw winners were **Rob & Karen Orser**, who introduced us to **Paul & Kat Nelson**. We welcome Paul & Kat to our practice and thank Rob & Karen for their continued support.  
**Bon Appetite!**

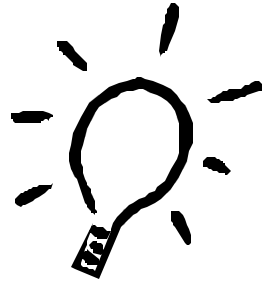


*To us, financial planning is a lot more than figures; it's about dreams and the peace*

## What is the difference between tactical and strategic asset allocation?



- Tactical allocation is making decisions to modify the mix according to anticipated market conditions. In other words, to add value or enhance performance.
- Strategic allocation is the construction of a portfolio which best suites the investors needs.



### An Investment Opportunity

I don't like new and untried investment concepts or vehicles, but here is one that makes sense.

A specialty fund that consists of twenty-five stocks whose mandate is to develop alternative energy sources. The fund includes such companies as Ballard Power, Global Thermoelectric, and United Technology, just to name a few. You get to participate in this emerging sector without having to roll the dice on just one stock winner.

I believe that this is certainly a growth industry and now you also have the opportunity to get involved in this sector in a more diverse and less volatile way. This offer has limited availability; so if you want to know more, please contact Victor at 244-7400.

## “Failing to Plan is Planning to Fail”

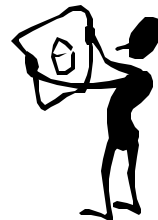
### Dollars and Sense

I have been referred to as a holistic planner. Simply put, that means looking at the root causes of why each of us deals with money the way that we do. This means understanding, on a conscious level, what our subconscious has been trying to tell us all along, and then by examining all the different components and idiosyncrasies that tie it all together.

So as a starting point, if you want to increase your health and your wealth, then you must:

- gain an awareness of where you are right now;
- make a committed decision to create new habits around health and money; and
- examine your beliefs and negative programming as they relate to money.

I incorporate health into the equation because without it, all the money in the world will only give you a fancier pine box.



## News & Views

As we outlined in our Winter edition of the Lion's Roar Bulletin, I would like to provide an update as to how we are coming along.

1. Twenty clients now have the capability to view their statements via our website [www.networthassetmgt.com](http://www.networthassetmgt.com). We are targeting that by the end of May all of our clients will have this option available to them.
2. We have started a more frequent email communication to those individuals who would like to hear our views on what's going on, for example, with the markets. In general, this has been very well received and appreciated. If you would like to be included, please email us at [info@networthassetmgt.com](mailto:info@networthassetmgt.com) to be added to the list.
3. Our firm continues to exceed all current compliance requirements and will continue to excel at these issues, even as the Regulatory field continues to evolve and become more complex.
4. You will note a new look, feel and clarity with the quality of our portfolio statements. Our old ones were good these are even better. Please give us your opinion.



## The Importance of Good Posture

by Dr. Julian N. Politylo

**N**ow I forget, is proper posture good for you or bad for you? Anyone that has had their mother scream at them to sit up straight or stand up straight should relate well to this article. I am not going to berate you for that stance of yours but I do want to get you thinking about your posture and its health benefits.

The spine is a flexible structure designed for movement. The spine gives the human frame strength and stability. Postural problems arise

due to the constant stress of gravity and the strain of maintaining constant balance. The most obvious benefits of good posture is efficiency and comfort with movement. There is also an important relationship between the structural (bone) and functional (organ) systems of the body with the nervous system acting as the relay.

Good posture promotes good health. Poor posture begets poor health. We slouch and twist, bend and stretch, and lift heavy objects without regard for the normal limits of motion. We sleep on soft mattresses, often on our stomachs, and when we sit, we prefer to sink into overstuffed and soft chairs. No wonder pain is so prevalent. Chiropractors know that back pain can be traced directly to poor posture and that simple rules can avoid these chronic ongoing conditions.

### WHAT CAUSES POOR POSTURE

1. Heredity
2. Birth defects
3. Visual problems
4. Emotional problems
5. Excessive weight
6. Foot problems or poor shoes
7. Weak muscles
8. Improper nutrition
9. Laziness
10. Poor sleeping habits
11. Injury to muscles, ligaments, tendons, bones.

### WHAT ARE THE BENEFITS TO CORRECT POSTURE

1. Improves your health
2. Improves your appearance
3. Improves your coordination
4. Increases your strength
5. Gives you more stamina
6. Gives you confidence
7. Gives you better body balance and makes you more agile
8. Reduces the risk of injury
9. Aids in physical / mental growth



### HINTS TO HELP YOU AVOID BACK TROUBLE

1. When sitting, use a hard chair and put your spine firmly against the back. Try to keep your knees slightly higher than your hips.
2. Do not cross your legs at the knees. This action could aggravate an existing back condition as well as interfere with leg circulation.
3. Do not sleep sitting in a chair or in cramped quarters.
4. Sleep on a mattress just firm enough to hold your body level, soft enough to allow your shoulders and buttocks to depress into the mattress. Never sleep on your stomach. When sleeping on your back, prop a pillow under your knees and if on your side, bend your knees at the hips. Use only one pillow for your neck support.
5. Never read or watch TV in bed with your head propped at a sharp or strained angle.
6. Avoid sudden twists, turns, or extreme bending of your back or neck in any direction.
7. Always bend with your knees, keeping your back straight when lifting heavy loads. Keep what you are lifting close to your body and don't reach forward when releasing the load. Especially don't twist during any phase of the lift.

If you do run into trouble, I can realign, rebalance, and fix you. Just get a hold of me at the Mount Royal Chiropractic Clinic at 1614 10<sup>th</sup> Street SW, Calgary, or at 244-1600.

### I REQUIRE YOUR ASSISTANCE. . .

What is it that I do so well that has earned your trust?

Of your most valued relationships, who else would also value that?



### Just a reminder.

We have a library of some of the very best books and tapes on Personal Finance and Self Development, available to you on loan, at no cost, just give us a call.

### Welcome and Thank you!

Welcome, to all of our new clients who have joined us since our last news bulletin. Thank you, to those of you that have mentioned our name to people that you know would benefit from our services, just as you have.

**Your introductions, and trust in our abilities, mean a great deal to us.**

### Pass it on. . .

If you enjoy this publication and find it of value, possibly someone else you know may also appreciate receiving it. If that is the case, please give us a call and we would be happy to add them to our list.

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