

Keeping a Cool Head

Why hot stories can burn holes in your portfolio



One of mankind's greatest attributes – and perhaps greatest detractors – is our emotional capacity. Throughout history, this often great quality has decimated many fortunes.

I find it intriguing how normally conservative people, who are rational thinkers and who have built successful businesses and careers, jump into stock market investing only to be side-swiped by their two polar emotions: greed and fear.

“Bull market” euphoria coupled with human greed will distort reality, and cause an otherwise rational person to abandon reason to chase the latest “hot” sector. When markets are down, and “bear market” pessimism sets in, fear can lead you to sell good quality investments at their worst possible time.

Financial newspapers and magazines are chock full of flavour-of-the-day ideas and “must-have” investments. Obviously this sells. But a cool head can keep these hot stories from burning a hole in your portfolio.

In 2003, it appeared that Canada's 62-cent-dollar was heading ever lower in its value. And since Canada represented a

fraction of the world's economy, the “hot” opportunity was to invest globally. As such, countless investors overloaded their portfolios with global mutual funds. Looking back, this was a grave mistake, as Canadian stocks have since performed among the best in the world and the Canadian dollar has been one of the most secure currencies.

Ten years ago, the hot story was Nortel, then income trusts, energy, resources, real estate, agriculture, and even high-flyer Research In Motion (RIM). All of these will move in and out of favour, and may test your emotional limits, to your portfolio's detriment.

STRATEGIES FOR MANAGING POLAR EMOTIONS

How does one consistently make money in the emotional world of investing?

By working with a disciplined wealth management practice, which is committed to truly understanding its clients' emotional triggers and lifestyle needs, you can receive guidance in building the foundation necessary for a successful investment plan.

Market volatility breeds emotional volatility. In order to best manage polar emotions, there are two foundational components that can work together in securing your financial future.

First, it is absolutely necessary your family have a well-thought-out financial plan.

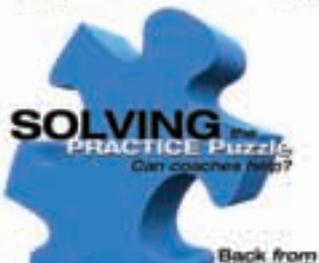
The goal of your financial plan is to determine what personal rate of return is needed for you to achieve sustainable income during your retired years. You should perform a conservative analysis with a range of potential outcomes: consider worst-case, best-case and probable-case scenarios. Make sure that if the worst happens, it won't devastate your finances.

Michael S. Magreehan, is an investment advisor with Lysnes-Magreehan Wealth Management at Canaccord Capital in Waterloo, Ont. Mike can be reached at 1-800-495-8071, or mike_magreehan@canaccord.com.

Michael S. Magreehan, BBA (Hon), CFP



Continued on Page 36



SUBSCRIBE TODAY !

7 ISSUES

only **\$28.00**

(GST \$29.40; QST/HST \$31.64)

• US \$35.00 (USD) • Foreign \$50.00 (USD)

Name: _____
 Clinic Name: _____
 Address: _____
 City: _____
 Prov: _____
 P.Code: _____
 Tel: _____
 Fax: _____
 e-mail: _____

PLEASE CHECK ONE:

Doctor of Chiropractic
 Chiropractic or Student
 Educational or Research Inst.
 Other _____
 Please Specify

TYPE OF PRACTICE

Solo
 Group Chiropractic
 Integrated Disciplines
 Other _____
 Please Specify

ARE YOU? (SELECT ONE)

Owner Associate
 Assistant Employee
 Other _____
 Please Specify

PAYMENT:

Cheque - Payable to Annex Publishing & Printing Inc.
 Visa MC Amex
 Account #: _____
 Expiry: _____
 Signature: _____
 Date: _____

TO SUBSCRIBE:

Tel: 866-790-6070 Fax: 877-624-1940
 Mail: Canadian Chiropractor
 c/o Annex Publishing & Printing Inc.
 P.O. Box 530
 Simcoe, Ontario N3Y 4N5
 e-mail: cnowe@annexweb.com
www.canadianchiropractor.ca

GST#86712652RT0001

1008CC

Continued from Page 34

The second component is to design your portfolio with assets that complement your personal rate of return. More specifically, your portfolio should contain a certain percentage of income assets; such as bonds, preferred shares, blue-chip dividends, power or energy trusts, Real Estate Income Trust (REITs), etc. Income investments are designed to pay cash flow regularly and consistently, regardless of how the market performs. In effect, this continuous cash flow makes portfolio compounding easy, as you can either buy more shares with every dividend, or let the cash balance accumulate and then purchase another income investment.

INVESTMENT EXAMPLES

Here are two interesting income investments, assuming a personal rate of return requirement of 7.0 per cent.

Crombie REIT (CRR.un-TSX) is the real estate division of Sobeys, and owns most malls where the grocery stores are located. Crombie has a 7.7 per cent current yield and income is paid monthly to shareholders.

Bombardier Preferred Series 4 (BBD.pr.c-TSX) has a 7.0 per cent dividend yield. The shares currently trade at \$21.50 and carry a par value of \$25.00. Par value is the value you receive if Bombardier decides to redeem this series of shares. This strategy becomes twofold: earn an attractive 7.0 per cent dividend yield while you wait for the potential capital gain from \$21.50 to \$25.00.

STAY FOCUSED

Your investment success is not a popularity contest – and it doesn't have to be complicated. Undoubtedly you will hear exaggerated cocktail chatter that Mr. Glee beat the market. Do not let his comments sway you. Stay focused on your family's required rate of return and stay committed to your plan. Your financial future, lifestyle, and sanity, all depend on it. •

Disclaimer: The comments in this article are for illustration purposes only. Future performance is not guaranteed. The author owns shares in both Crombie REIT and Bombardier Preferred Series 4. Speak with a qualified investment advisor before making any investment.

new product

TANITA BC-418

"Everyone is unique." Especially when it comes to chiropractic medicine – in particular, an individual's body makeup. Standard scales give a total weight, but they can't determine the distribution of that weight. Tanita's BC-418 Segmental Body Composition Analyzer/Scale helps practitioners to quickly and easily assess each individual patient and their detailed body makeup. The BC-418 calculates regional body composition, empowering health-care professionals to better diagnose and treat mechanical disorders of the spine and musculo-skeletal system. More than simple weight or body fat % levels provided by ordinary scales or calipers, the BC-418 provides a printout of detailed body composition analysis – weight, impedance, body fat %, body mass index, fat mass, fat-free mass and more, all without the inconvenience of more intrusive traditional measurement methods.

The scale also introduces a significant improvement to the calculation of Basal Metabolic Rate. Instead of simply relying on weight, age and gender, Tanita's proprietary formula takes into account fat-free mass, providing a higher level of accuracy compared to current BMR formulas. The all-in-one compact column mount design, with integrated thermal printer, makes the BC-418 perfect for use in small, dedicated spaces. Other features include:

- Composition results for five body segments – trunk, left arm, right arm, left leg and right leg
- Useful in evaluating rehabilitation and/or strength and conditioning programs
- 8-polar Bio-electrical Impedance Analysis (BIA)
- Adult and athlete modes
- Weight increments: 0.2 lb (0.1 kg)
- RS-232 port for computer interface
- Capacity: 440 lb (200 kg)

For more information, visit www.thecompetitiveedge.com.

