

# Your Wealth



Views and opinions  
for the clients and friends of

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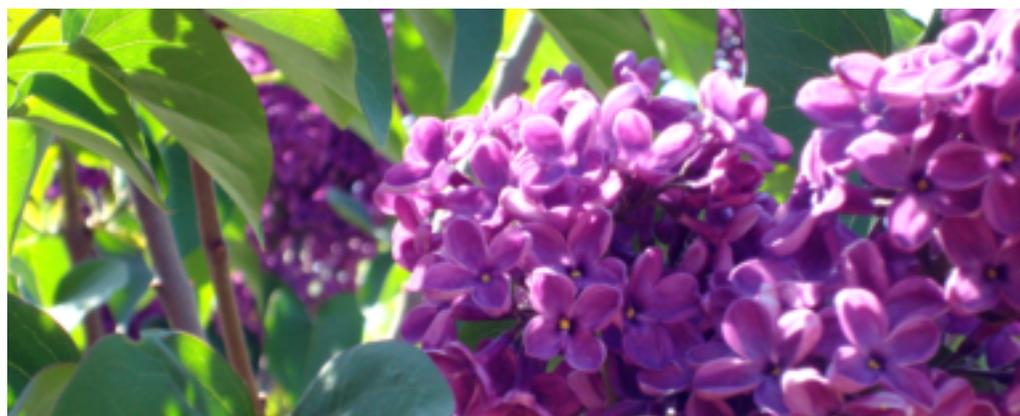
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Welcome to those clients  
who joined us this quarter  
and thank you to those who  
recommended our services.



## A Trillion Here, A Trillion There

How much did you earn during your first part-time job? Remember when \$10,000 seemed like a large amount of money? The financial media has progressed from talking about millions, to billions and now to trillions. Just what is a trillion? It's a one followed by 12 zeros. All investors hope that the collective multi-trillion dollar stimulus packages around the world will help to reverse the worst economic and investment downturn since the Great Depression. Seems like everyone wants to get some of those zeros. Will more debt save a world that is already drowning in debt?

So far we have asked questions without giving you any answers. Everyone is concerned, cautious and looking for guidance. Once again we hope to give you a glimpse into the future by hosting a seminar on May 11 at the Tosca Banquet Hall. Details are found in this newsletter. We always enjoy this opportunity to get together and sincerely hope you can attend.

The era of greed is over. The world of investment professionals has been humbled

and the regulatory bodies realize their own failings. Individual investors have experienced fear and have little faith in the "experts". How could so many people have been so wrong? How could everyone have missed the obvious? Let's go back in time.

Prior to the 17th century everyone believed that all swans were white. No one even contemplated the possibility that a swan could have coloured feathers. If all swans had always been white throughout the known world how could it be otherwise? In fact the original use of the expression "black swan" was to denote an impossibility. Then along came the discovery of black swans in Australia in 1697. Suddenly the metaphorical meaning of "black swan" changed dramatically. Now it meant that the highly unlikely can indeed happen.

Recently a fellow by the name of Nassim Nicholas Taleb has gained fame after publishing his book The Black Swan in which he expands on the issue of certainty and more specifically on the impact on society when (CONTINUED ON PAGE 2)

## A Trillion Here, A Trillion There...

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unexpected events take place.

Obviously he has been commenting for the last year on the worldwide financial meltdown.

A quote from the jacket cover of his book reads as follows: "A black swan is a highly improbable event with three principal characteristics: it is unpredictable; it carries a massive impact; after the fact we concoct an explanation that makes it appear less random and more predictable than it was." The book itself is his soap box and much of his thesis is at least thought provoking and often quite valid but if you are going to read the book you will find that humility is not his strong suit.

So the black financial swan is upon us. In fact, we would say there is a bevy of black swans on Wall Street, Bay Street and Main Street throughout the world. We would take writer Taleb's theory and expand it in one critical area. Never before in history was there so much access to borrowed funds for the purpose of investing. Never before had the loan quality been so poor. Never before had self-interest and greed played such a role in the initiation of the loans as the lenders continued to sell these potentially toxic loans to third parties via securitization. The resulting credit crisis was toxic black swan poop and we're all walking around in it. The level of irresponsible and unregulated lending (leverage) reached historic proportions and the impact on society was equal and opposite when the credit bubble burst. One part of Taleb's thesis with which we concur completely is the phenomenon of the financial world always explaining in detail what went wrong but never having warned of the possibility in the first place. As you know for several years we had great reservations regarding the consequences of the changes in investment world dynamics. Financial markets are now dominated



by institutional fund managers whose investment decisions are too often driven by self-interest if not greed, taking chances with the money that actually belongs to the "little guy". We had concerns as well about unrealistic price gains in real estate, commodities and currencies. We were amazed at consumer complacency and the individual's propensity to increase debt as a normal part of life. We felt strongly that the world would enter a recessionary period that would inflict moderate pain on those who had participated in irrational exuberance in all its forms.

What we didn't see on the horizon was the black swan which took the form of the credit crunch. It was virtually impossible to see because the actions of the lending world were anything but transparent. Greed, performance pressure and a lack of regulatory oversight reached heights that were truly unimaginable. Certainly the "massive impact" as described by Taleb is upon us as we struggle through the Great Recession. It was impossible to determine how much money had been loaned out and only now do we know that the figure was beyond anyone's wildest dreams, with porous assets

pledged as collateral. Toxic loans and securitizations are the legacy and we do not yet know their true value. Now the talking heads are "explaining" the past and present and predicting the future. The vast majority have no idea what they are talking about. These are the same folks who a year ago said "don't worry be happy". Personally we must commit more time and energy to attempt the impossible as we try to find out when the lenders of the world go crazy with their lending without regulatory supervision. Fortunately the return to unethical and

dangerous lending practices is many years away. The lenders of the world are licking their wounds. Who would have thought that the bites would have come from a swan?

Lenders, borrowers, business owners, investors and consumers are all in the same boat floating on a sea of debt. The boat sprang a leak so large that sinking seemed imminent just a few months ago. Then came the rescue packages, each with its own acronym. TARP and TALF are ingredients in the alphabet soup of recovery. Then came loan guarantees by the government, the purchase of financial instruments by central banks and interest rates so low that you need a magnifying glass to find them.

Stimulus packages and quantitative easing came next. Debt upon debt. Will inflation come back? Which companies will not survive? What should investors do? In our opinion all investors must make income generation priority #1, with only modest growth expectations. We will expand in far greater detail at the presentation. If you are unable to attend on May 11 we ask you to arrange a meeting in our office.

The investment world has changed.

## A Seminar Invitation: Navigating a Changing Investment World

The financial markets are not the same. Our presentation will address strategies that you must consider in these difficult times.

During our presentation you will learn:

- How the financial markets have fundamentally changed
- Why you need a proper balance between income and growth
- How to use overlooked wealth management strategies to build long-term wealth

Please join us:

**Monday May 11th 2009**

**6:30 pm – Reception**

**7:00 pm – Presentation**

**Tosca Banquet Hall**

**800 Champlain Ave, Oshawa**

Attendance is free but seating is limited. We ask that you please contact Debbie either by email at [deborah.c.mcdonald@rbc.com](mailto:deborah.c.mcdonald@rbc.com) or by phone (905-434-6527 or 1-800-267-1522) in order to reserve a seat.

Please feel free to extend this invitation to any friends and family who you feel would benefit from attendance. As previous sessions have been at capacity guests are also asked to please RSVP to Debbie.

## We are here to help in today's uncertain times

With all the uncertainty in the markets, many people are understandably concerned about their investments.

Increasingly, clients are asking us if we would sit down with a friend, neighbour or family member to go over their investment portfolio.

Sometimes, they just want an objective “second opinion” to make sure they are on-track with their current advisor. Other times, they are actively seeking a new advisor and would like to know more about what we can offer.

Whatever the situation, we would be pleased to meet with anyone you refer to us and provide a confidential review at no obligation or cost.

Our review process follows a straightforward process: First, we listen to understand their needs and concerns. Then, we document their investor profile, including their comfort level with risk and why they are investing. This leads into a discussion of their overall desired asset allocation. Next, we review their current investment holdings in terms of both



suitability based on their investor profile as well as our market outlook. Finally, we prepare a detailed written report containing our recommendations. We may suggest anything from minor adjustments to wholesale changes. We may also extend an invitation to them to join us as a client or perhaps recommend one of our colleagues at RBC. If we believe that they have a solid plan and are being properly served we will certainly recommend they continue working with their current advisor.

The result is one of two things: They gain peace of mind knowing they are on-track – or they learn the changes required to get back on-track.

To enquire about our Complimentary Portfolio Review Service, please contact Luke or Mark today.

## The Family Snapshot

When can I retire? What if I die tomorrow? What if I live to 100?

Over the last few years we have been having an increasing number of conversations about wealth management with our clients. While for some people the conversations evolve into complex discussions on advanced wealth management topics, for most the conversations are not complicated. As a starting point in the wealth management process it is key for you to look at your situation and ask three simple questions: “When can I retire?”, “What happens if I die tomorrow?” and “What if I live to be 100?”

The answers to those questions help to provide both a better understanding of your current financial situation as well as a clearer vision of what your wealth

can accomplish. Getting answers to those questions does not need to be difficult. Using a new tool we call the Family Snapshot and a straight-forward discovery process we can quickly provide an overview of your current situation as well as help you clarify your priorities and identify concerns for the future.

The Family Snapshot assists us in the evaluation of your current financial strategy, find out if it is on track to meeting your long-term financial needs, and provide you with:

- A complete Family Snapshot synopsis that provides an overview of your family situation, main goals or concerns, net

worth and cash-flow situation.

- A personalized wealth management report, which provides highlights of relevant tax, estate and retirement planning strategies which may apply to your situation and can be analyzed in further detail in the future.

- A financial projection overview, which uses your current situation to project your financial retirement and estate situation and to evaluate your life insurance needs.

This valuable exercise can have a real impact on your long-term financial security and wealth. Please contact Mark for more information on how the Family Snapshot can be of benefit to you.

## Protecting yourself from e-mail fraud

Phishing (sounds like “fishing”) is the most common type of online fraud and involves the practice of sending phoney e-mail messages to trick you into revealing your personal information.

RBC will never, under any circumstances, send you an email that includes a link or phone number asking you to:

- > Update or verify your account details or other personal information online or by phone
- > Log on to DS Online (or another private website)

When these fraudulent e-mails contain links – DO NOT click on the links or reply to the message. Remember that these links take you to a phoney website designed to capture your personal information. The websites often look legitimate and



may even contain RBC banners and logos to try to fool you.

If you receive an email that asks you to provide confidential information, such as account passwords, PIN,

Social Insurance Number or any other personal information – either online or by phone – DO NOT respond. Instead, please notify our information security team by forwarding the email to [information.security@rbc.com](mailto:information.security@rbc.com).

If you believe you have provided your account or other personal information in response to a fraudulent email, call us immediately or notify our information security team at 1 800 769-2555.

For more information on protecting your personal and financial information

online, please review RBC’s new Privacy and Online Security site at

<http://www.rbc.com/privacysecurity/>.



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