

Patrick O'Brien's Summer 2018 Client Note



For the clients and friends of
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The Dog and his Reflection: A Tale from Aesop

Dear Clients and Friends,

I can't recall the last time that there was a 3 month plus stretch where both stocks and bonds declined together. Such was the case from early 2018 extending into the month of April. Fortunately for us, my portfolios are built to weather downturns whenever they occur since no one can accurately and consistently predict the timing, depth, and duration of market declines. As we have done in the past during such times, we collect the eggs (income) our chickens (investments) produce, yawn, and wait for the markets to turn. Which leads me to Aesop's story of a dog with his bone. This dog is crossing a bridge with a nice meaty bone in his mouth when he catches a glimpse of another dog with a larger/better bone. He decides to frighten off the other dog and take his bone too. Leaning over the water, he barks loudly at the other dog. Of course, he is looking at his reflection in the water and so loses his bone to the depths. Now he has an introspection to go with his reflection.

One sometimes feel the urge to change a functional, time tested basic investment thesis in the face of a month or two of lackluster returns. While there may be a justification for a portfolio massage from time to time, it is rarely appropriate for radical surgery. By maintaining vigilance and sticking to our knitting, we have recovered from the small annoyance of the first quarter and moved ahead. Unlike Aesop's dog, we have resisted the urge to drop our own investment bone into the river by chasing after what appears to be bigger and better in the short term.

A few things to consider:

You don't have to wait until "RSP season" to make an RSP contribution. I make mine when I receive my notice of assessment from the CRA in May to maximize the tax deferral and growth benefits. This is also true if you have TFSA or RESP room. Please call me or Cameron to discuss the applicability of these programs to your individual situation.

If you have a valuable private BC corporation (s) you might consider putting a two will strategy in place to reduce probate costs and time lost. I wrote an article on this topic some months back, and sent it to all my clients that I knew had corporations. Please call us for a copy or give me a call. On that note, we are ready and waiting to hear from you if we can be of assistance as your financial advocates. We look forward to discussing your portfolio, any financial planning needs you may have, or an idea that needs a sounding board.

I hope you have a great second half to your summer!

Regards,

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