

Dr. Patrick O'Brien's
Fall 2022 Client Note



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Chirp Counts will Rise Again...

Dear Friends and Clients,

I hope this note finds you well and enjoying fall weather.

You may have noticed that on a cool fall evening crickets chirp less per minute than they did in early August. Cricket bodies operate more slowly at lower temperatures allowing us to calculate the air temperature based on the chirps per minute using Dolbear's law. Try counting the chirps over 15 seconds and add 40 to get a reading in Fahrenheit.

The world is chilly right now with political tensions, inflation, and rising interest rates. This cooling trend began last November and has progressed and, if the world was a cricket, reached a low chirps per second in mid-June before a slight warming trend set in followed by a cooling trend again to the end of September....

However, I am beginning to feel more confident as I look to the future of our portfolios. Inflation has begun to come down. I believe that we are getting closer to the end of this inflation cycle and the interest rate hikes meant to bring it down. I don't know the timing, but multiple good years followed the end of interest rate increases at the end of the last rate cycle in late 2018. Nobody knows when the turnaround will begin, but in the last 30 years, I have seen variations on the market downturn theme play out over and over i.e. Markets decline, finally reaching a bottom (only visible when looking back) and then markets begin to rise again.

We invest in the conservative way we do because no one can tell the where the bottom is, but we definitely want to be there for the upswing that follows. I view my investment portfolio as if it were a valuable and useful piece of real estate – generating income that gradually increases with time and a resale value that trends upward with the occasional backfilling period after a rapid rise. This is just what we have seen since the end of 2018. At some point, the current back filling will be complete and the next uptrend will begin. Please call me if you would like a year over year return report for the years 2019 to 2022.

I'm not about to sell my secure assets because my emotional brain is sensing that a media conjured "tiger" is after me – it is not. Relying on the emotional part of my brain is counterproductive to my long term financial health.

Every day, people in North America still get up, turn on the lights and the coffee pot, comfortable in their warm homes as they check their Instagram account, snapchat, and tiktok☺. They have a place to live and work, they have electricity, a cell phone, and they have heat. The companies that we own largely provide these four things, mostly in Canada and the US, and none of these customers will ignore the monthly bill for these important (critical, actually) services.

This ever repeating series of daily events leads us to our "chicken and egg" investment metaphor for the money farming in which we engage. These "necessity" companies (chickens) have a steady diet of paid invoices that they use to pay their workers, maintain/expand their equipment, hydro dams, etc. and the ever increasing extra income (eggs) comes to us as shareholders in dividends. These dividends are taxed much more favourably than rental, interest, wages or foreign income. After all is said and done, it is the spendable after tax money where the egg hits the frying pan that counts. Not very exciting, but it keeps our crickets chirping even as the risky parts of the world cool.

Please reach out to me should you like to speak about your portfolio or other financial matter. Multiple clients have recently had their financial plans updated to see how their long term finances were faring in this downturn. The pleasant surprise across the board has been the negligible effect on the long term spending ability that this current backfilling period has had. Please reach out to us if you would like to start a financial plan or update an existing one.

Financial Planning Tips to Consider:

If this is a big tax year for you from the sale of real estate (other than your personal residence), business or other taxable windfall, please give me a call. I may have some good tax saving ideas for you. Always speak with your tax advisor before employing a tax strategy.

Don't forget about the multiple will strategy if you have a valuable private Canadian corporation. This program can save \$14,000 per million of value in probate fees. I have written an article (available on my website here, the first article titled "[Saving Probate on Private Farm Corporations-a Change in BC Law](#)") or I can send it to you on request.

Do please call me when you have financial questions. I am also happy to help out your family and friends in whatever way best serves them.

Happy halcyon days of fall to you and yours,

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